

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: June 12, 2025

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Elisabeth J. Draper, Director, Division of Economics *EJD*

RE: Docket No. 20250026-GU: Petition for approval to modify swing service charge, individual transportation service rider, and off-system service rate schedule, by Peoples Gas System, Inc.
Information provided by Peoples Gas System in docket 20250026-GU.

Please place the attached information in the above docket.

2025 JUN 12 AM 11:18
COMMISSION
CLERK

Discussion points for Docket No. 20250026-GU – Peoples Gas System, Inc.

1. Modifications to reserve capacity calculation – formula change on page 12 of the petition. Currently numerator has interstate and intrastate costs; denominator has interstate and intrastate capacity quantity. How does removing just intrastate capacity quantity from denominator improve the formula?

A1. Including intrastate capacity in the formula results in overstating the contract determinants and understating average unit rate, causing the company to under-collect its full cost of capacity. Here is an example of this issue:

- a. Company contracts for interstate capacity of 100 MMBtu/d from Mississippi to a city-gate in Jacksonville at a rate of \$.51 per MMBtu.
- b. Company contracts for interstate capacity of 50 MMBtu from Louisiana to a city-gate in Jacksonville at a rate of \$.58 per MMBtu
- c. Company contracts for intrastate capacity of 150 MMBtu from west Jacksonville to customers in east Jacksonville at a rate of \$.08 per MMBtu

Current Formula:

$$[100 \times .51 + 50 \times .58 + 150 \times .08] = \$92.50/300$$

$$WACC = \$.3083$$

Proposed Formula:

$$[100 \times .51 + 50 \times .58 + 150 \times .08] = \$92.50/150$$

$$WACC = \$.6167$$

If the company releases 150 MMBtu of capacity to a customer at \$.3083 they would only be collecting \$46.25, and the difference (92.50-46.25) would be collected from the company's PGA customers. If the company releases 150 MMBtu of capacity at \$.6167 the company collects the full cost (\$92.50) of capacity.

2. Is reserve capacity the same or different than total capacity PGS reserves on the interstate pipelines?

A2. The reserve capacity is lower than the total capacity reserved by PGS on the interstate pipeline. The company needs to secure enough capacity to meet both the forecasted average day load and the current and future forecasted peak day load. As a result, the contracted capacity load factor (capacity utilization rate) is less than 100%. To distribute the costs of this reserve capacity across a larger group of customers, the company includes a portion of the reserve capacity in its swing service charge rather than having only its PGA customers bear these expenses.

3. Exhibit B to the petition – calculation of revised swing service charges - explain line 5, swing sale agreements and why does the allocation use 2023 therms (as opposed to more current therm sales)?

A3. When the company was preparing its petition in 2024, the 2023 data set was complete and a full year of 2024 data was not yet available.

4. Modifications to storage contracts – page 15 of the petition, paragraph 38 – walk through the calculations of the new components for “one turn of storage.”

A4. The new component is the annual cost of filling the storage with gas, calculated as follows: Storage Capacity Quantity (MMBtu) x Forecasted Commodity Price.

5. ITS Rider – when PGS sells capacity to the ITS customer – does PGS sell the capacity directly to the ITS Rider customer or to the third party marketer for the customer? How does PGS get reimbursed for the capacity released to the ITS customer (under current tariff and under proposed tariff)?

A5. The company releases capacity to an ITS customer through the interstate pipeline's electronic bulletin board at the rate specified in the capacity release agreement or transaction confirmation. This rate follows the interstate pipeline's tariff and the release terms (rate x volume x term) is then credited to the company's invoice. The company could also release capacity to a customer's third-party marketer or agent, though this is not currently a typical business practice.

6. Provide examples of types of commercial/industrial customers that would move to the NCTS Rider and ITS customers over 500,000 therms per year that would continue on ITS Rider.

A6. Large industrials (paper mills, citrus processors, gypsum manufacturers, large hospitals, etc) and electric generators would continue on the ITS.

7. ITS Rider – the proposed new tariff language (7.805-9, paragraph 15) allows for the company to increase the 25% minimum daily requirement to a maximum of 40%. Please explain why and under what scenario PGS would increase the daily requirement and discuss why PGS believes a 25% minimum is an appropriate percentage.

A7. PGS would increase the minimum release requirement under the following circumstances:

- a. The company forecasted there would be sufficient excess capacity available to release an incremental amount to ITS transporters after the company fulfilled its obligations to the PGA and NCTS customers; and
- b. The company determined that the cost of excess capacity available for release to ITS customers could not be mitigated through incremental OSS; and
- c. The release of incremental capacity would be deemed by the ITS customers to be beneficial (improve reliability or reduce their costs)

8. Proposed change to OSS sharing mechanism from 75/25 to 50/50. Please provide a detailed explanation of the benefits to PGS and the general body of ratepayers of the proposed revision to the sharing.

A8. Due to reduction in existing transportation capacity from this petition, the company will lose transportation capacity optimization opportunities. OSS increases in the future help offset the need for base rates.