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November 5, 1997

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 960725-GU

Dear Ms. Bayo:

Enclosed for filing are the original and 15 copies of the Comments of the Florida Industrial Gas Users On Commission Staff's Draft of a Model Tariff for Firm Transportation Service in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,

John W. McWhirter
John W. McWhirter, Jr.

ACK _____
AFA _____
AHR _____
C.F. _____
C.H. _____

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EPSC-PPC/RRS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comments of the Florida Industrial)
Gas Users on Commission Staff's draft of)
a Model Tariff for Firm Transportation)
Service for review and comment in the)
Commission's Docket on Unbundling of)
Natural Gas Services)
)
)

Docket No. 960725-GU
Submitted for filing:
11-18-97

**COMMENTS OF THE FLORIDA INDUSTRIAL GAS USERS
ON COMMISSION STAFF'S DRAFT OF A MODEL TARIFF
FOR FIRM TRANSPORTATION SERVICE**

FLORIDA INDUSTRIAL GAS USERS ("FIGU"): The members of FIGU are among Florida's largest natural gas customers, using large volumes of natural gas, primarily under interruptible transportation tariff rates, for manufacturing purposes. Competitively priced natural gas, available at levels of reliability which are within the large industrial customer's control, is essential to Florida's industry and economic growth. FIGU respectfully submits these comments and appreciates the opportunity to express its views on this important matter.

COMMISSION STAFF'S ISSUANCE OF DRAFT MODEL TARIFF: The Florida Public Service Commission ("FPSC" or "Commission") Staff is to be commended for researching, compiling and proposing a draft of a Model Tariff for Firm Transportation Service ("Model Tariff") for review and comment by interested parties and participants in **Docket No. 960725-GU - Unbundling of Natural Gas Services** (the "Unbundling Docket"). FIGU recognizes the need for a published Model Tariff, approved by the Commission, to be utilized by all jurisdictional natural gas utilities as a guideline when filing individual tariff modifications.

SCOPE OF COMMENTS: The Model Tariff addresses a broad range of topics which go well beyond issues relating directly to **Firm Transportation Service** and issues raised in the **Unbundling of Natural Gas Services** Docket. FIGU's comments will specifically address key unbundling issues within the context of an appropriate Model Firm Transportation Tariff. FIGU reserves the right to address other tariff issues at a later date in this Docket or in other proceedings in accordance with the Commission's rules.

APPLICABILITY OF MODEL TARIFF: FIGU recognizes the need for the Commission to acknowledge and accommodate the legitimate differences between the various jurisdictional natural gas local distribution company utilities ("Gas Utilities" or "LDC's"). On the other

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hand, many commercial and industrial gas users in Florida operate at multiple locations, often in more than one Gas Utility's service area. A reasonable degree of uniformity in Florida's Gas Utility Firm Transportation Tariff's will help assure the most beneficial utility service environment to promote business efficiency and economic growth in Florida. A Model Tariff will help to promote competition among providers of natural gas, which, in turn, benefits natural gas users and the economy in the State of Florida.

COMMENTS CONSISTENT WITH FIGU'S PREVIOUSLY FILED COMMENTS: FIGU previously filed comments with the FPSC on October 12, 1995, when Staff held its first LDC Unbundling Workshop (an un-docketed proceeding). The proposed Model Tariff clearly reflects many of the concepts supported by FIGU in its previous comments. FIGU's comments on the Model Tariff build from, and are consistent with, the October 12, 1995 comments, which are available to any interested parties to Docket No. 960725-GU - Unbundling of Natural Gas Services.

PROPOSED FPSC RULE:

NEED TO UNBUNDLE AT THE CITY GATE: Of paramount importance is the need for each Gas Utility's tariff terms and conditions for unbundled transportation service to be the same as those applied with respect to the transportation component of the Gas Utility's own bundled sales service. Whether a customer purchases its gas molecules from a Gas Utility or from a third party, the Gas Utility should provide exactly the same delivery service — firm or interruptible, as the customer chooses — from the city gate to the customer's meter. This can be best accomplished if sales service is unbundled at the city gate, with all gas volumes for each class of customer moving from the city gate to a customer's meter under the same tariff schedule applicable to that class of customer, whether under transportation service or sales service (i.e., the tariff rate would be the same for both transportation and sales service within a specific rate class such as General Service, General Service Large Volume, etc.).

To implement true unbundling, Gas Utilities should be required to conduct a full cost of service study in order to properly reallocate costs of service for each class of customer. Accurate allocation of the costs of service sends appropriate pricing signals to each class of service within the marketplace.

Sheet 9: add the following to the paragraph on usage summary: Every customer upon request shall be furnished at no charge an historical usage summary once every twelve months. If further assistance is required...

Sheet 11: DEFINITIONS OF AGENT AND SUPPLIER: Except as otherwise noted, FIGU's comments adopt the definitions and terminology set forth in the Model Tariff. The definition of "Agent" on Sheet No. 11 is incomplete and therefore inappropriate. The Definitions section of the Model Tariff must eliminate confusion between an "Agent" who has title to Gas when acting on behalf of Customer, and a "Designee" who may or may not

take title to Gas while performing functions on behalf of Customer. The following definitions are more appropriate:

B Agent — shall mean a Marketer, Broker, third party supplier, or any other legal entity (including Customer itself) which has title to Gas for purchase and use by Customer and which is authorized by Customer (or multiple Customers in the case of an Agent which is aggregating Gas for a group or pool of customers) to take legal responsibility and accept financial liability on behalf of customer by entering into an Agent Service Agreement with Gas Utility under these General Terms and Conditions.

New: Designee -- shall mean a legal entity contractually authorized by Customer to act on Customer's behalf to perform specifically designated functions such as purchasing gas, nominating, scheduling, confirming, paying invoices, communicating with pipelines, LDC's, marketers, suppliers and others for Customer or in Customer's name.

DEFINITION OF ALTERNATE FUEL: Add the underlined language below to clarify that a customer's alternate fuel may be Gas which is not delivered to customer's premises by the Gas Utility:

Sheet 11 G: Alternate Fuel — shall mean a fuel other than natural gas delivered by the Gas Utility, including substitute or back-up electrical energy available from the electric power grid, that is used in lieu of natural gas delivered by Gas Utility during a curtailment event. Alternate Fuel is not considered available when either no facilities exist to enable the utilization of Alternate Fuel; or facilities exist for the use of Alternate Fuel but Alternate Fuel, although available, cannot be legally, or operationally, used in such facilities.

In no event should Customer be required to have or install Alternate Fuel in order to be eligible for Gas Utility's interruptible services or transportation services.

Sheet 13 W: **DEFINITION OF FGT:** Similar definitions should be included for other interstate pipelines such as South Georgia Natural Gas and Koch which also deliver Gas into Florida.

Sheet 21A: **DEPOSITS:** It should be mandatory that a Gas Utility require a deposit. To provide some flexibility, deposits should only be required by the Gas Utility where necessary to protect against a reasonable financial risk to the Gas Utility or its other Customers.

Sheet 23 B: **Payment add:** or by check to the billing address specified in invoice, after invoice on third line.

Sheet 17I: Observation DISCONTINUANCE OF SERVICE: A Gas Utility should not have the right to discontinue Transportation Service to an existing Customer in order to expand or offer Transportation Service to other Customers

Sheet 17I: DISCONTINUANCE OF TRANSPORTATION SERVICE TO RETURN TO SALES SERVICE: The Model Tariff language implies that Gas Utility has an obligation to provide gas supplies and corresponding interstate pipeline transportation capacity to any firm customer which seeks to return to sales service. Gas Utility should not be obligated to accommodate Customer's return to sales service if such return would cause or potentially cause Gas Utility to curtail service to any other customer(s) due to inadequate supplies of Gas available to serve the returning Customer.

GAS UTILITY OBLIGATION TO SERVE: The obligation to serve and provide safe, reliable service goes hand-in-hand with the concept of firm service, whether a firm customer is utilizing transportation or traditional sales service. On the other hand, it would be unconscionable to curtail or interrupt lower priority interruptible customers simply because a higher priority firm transportation customer's supplier or Agent failed to provide Gas. In the case of all but the larger firm transportation customers, it is likely to be impractical, uneconomical and administratively burdensome for a Gas Utility to attempt to disconnect, suspend, curtail or interrupt service when a Customer's supplier or a Customer's Agent fails to provide Gas. FIGU proposes several enhancements to Staff's proposed language in order to address this apparent dilemma. See also FIGU's comments regarding CURTAILMENT.

If a firm transportation Customer elects to utilize Gas Utility's Standby Service, or arranges for its Agent to enter into an appropriate Firm Delivery Agreement with Gas Utility which makes Agent legally responsible and financially liable for failure to provide Gas for delivery into Gas Utility's distribution system, then the Gas Utility should remain obligated to deliver Gas to Customer. It then becomes incumbent upon the Gas Utility to arrange appropriate Standby Service — and charge the Customer the full cost of such service — or enter into an appropriate Firm Delivery Agreement with Customer's Agent. Such a Firm Delivery Agreement would provide Gas of equal reliability to gas which the Gas Utility acquires on a firm basis for its firm system supplies as part of its Gas Utility system supply Gas acquisition program subject to the PGA Clause in its tariff.

In the event Customer does not elect to utilize Gas Utility's Standby Service, or arrange for its Agent to enter into an appropriate Firm Delivery Agreement with Gas Utility, the Gas Utility would be responsible only for the transportation of Customer's own Gas and would not be responsible for providing Gas. If the Customer's supplier or the Customer's Agent failed to deliver Gas into the Gas Utility's system for transportation to Customer's premises, then Gas Utility could suspend deliveries that exceed balancing limits. The OBLIGATION TO SERVE section of the Model Tariff on Sheet No. 26 should be modified to include the underlined language shown below and to delete the language shown as strikeout below:

Sheet 26: OBLIGATION TO SERVE. If a firm transportation Customer elects to utilize Gas Utility's Standby Service, or arranges for its Agent to enter into an appropriate Firm Delivery Agreement with Gas Utility, then Gas Utility is obligated to provide Gas to Customer up to appropriate contract quantities.

In the event Customer does not elect to utilize Gas Utility's Standby Service, or arrange for its Agent to enter into an appropriate Firm Delivery Agreement with Gas Utility, Gas Utility is responsible for the transportation of Customer's own Gas. Gas Utility is not responsible for providing Gas. If Customer's supplier, or Customer's Agent, if applicable, fails to provide Gas into the Gas Utility's system for transportation to Customer's premises, then Gas Utility may suspend deliveries to Customer that exceed balancing limits.

The Model Tariff should also contain the following definition to accommodate the above alternative to Standby Service:

Firm Delivery Agreement — shall mean a legally binding agreement between Gas Utility and Customer's Agent which obligates Agent to provide Gas of equal reliability to gas which the Gas Utility acquires on a firm basis for its firm system supplies as part of its Gas Utility system supply gas acquisition program subject to the PGA Clause in its tariff. Such Firm Delivery Agreement may contain punitive penalty provisions for failure of Agent to provide Gas.

Sheet 29: PRESSURE OBLIGATIONS: The Model Tariff should be modified to permit the Gas Utility and a requesting customer to enter into an agreement which obligates the Gas Utility to deliver Gas at or above an agreed upon pressure.

Sheet 30: MEASUREMENT - SALES GAS 1ST THROUGH METER: The Model Tariff requires sales gas to be accounted for as first gas through the meter in situations where a Customer uses a combination of Sales Service and Transportation Service. The Model Tariff should be modified to permit the Gas Utility and a requesting customer to enter into an agreement which provides for other methods of accounting, for example, permitting transportation gas to be first through the meter. Such a provision would provide an opportunity for Gas Utilities to offer other companion services to meet a wider variety of transportation customer needs.

Sheet 31: METER ACCURACY / METER TESTING: FIGU agrees with Staff's proposal of monthly testing for larger volume meters. With operational and balancing tolerances of a few percent, inaccurate metering can leverage a Customer's costs for imbalance resolution and operational penalties to substantial levels.

Sheet 44: STANDBY/BACK-UP SERVICE: While the Model Tariff provides Customer the right to elect Standby Service, the section on Standby/Back-up Service is deficient in two major respects:

1. The language implies that only the Gas Utility can offer Standby Service and that no other alternatives are available to Customer to protect against failure to provide Gas for transportation. Other options are available in many cases. One option is for the Customer to select an Agent who enters into a Firm Delivery Agreement with the Gas Utility (See: Firm Delivery Agreement above). Another is to permit a Customer to arrange its own Standby Service from a provider other than the Gas Utility. In fact, some Gas Utility Customers in Florida can and do arrange their own alternative sources of Gas supply to avoid curtailment or interruption in certain situations. The Model Tariff language should be expanded to provide Customer the right to elect appropriate alternatives to the Gas Utility's Standby Service.
2. The Model Tariff contains no description or explanation of the nature or cost of Standby Service. Standby Service must be priced at a rate which properly reflects its costs — not at an inflated rate intended to deter customers from choosing to purchase unbundled transportation service. In no event may another Customers' gas be curtailed in order to provide any form of Standby Service.

CURTAILMENT: FIGU members and other large volume interruptible transportation customers must be protected from curtailment due to loss of Gas (failure to provide Gas) by a higher priority firm transportation Customer or that Customer's Agent. As a generally applicable concept, a Gas Utility must only be permitted to invoke curtailment for transportation customers when it has an inability to redeliver a transportation customer's Gas, or in the event of a genuine emergency which threatens essential human needs customers. Furthermore, in no event may another Customer's gas be curtailed in order to provide any form of Standby Service. It is important to note that the CURTAILMENT section of the Model Tariff applies to both firm and interruptible transportation customers. Although the CURTAILMENT section is written to apply only to transportation customers, it is FIGU contention that a Gas Utility's curtailment plan must address both transportation and sales customers on an equal basis. The Gas Utility must not be permitted to provide any preferential curtailment treatment to its sales customers at the expense of its transportation customers.

FIGU strongly recommends the following specific changes to the CURTAILMENTS AND OTHER OPERATIONAL CONTROLS section beginning on Sheet No. 52:

Sheet 52:

In "OBLIGATIONS; CURTAILMENT AND INTERRUPTION," Strike and Replace as follows:

OBLIGATION AND LIMITATIONS.

In "CHANGES TO TARIFF OR CURTAILMENT PLAN," Add the following language:

Gas Utility's curtailment plan must appear within Gas Utility's Tariff and shall not be filed with the FPSC as a separate document.

In "RIGHT TO CURTAIL; NO LIABILITY FOR CURTAILMENT," Add the following language:

Gas Utility shall not invoke its curtailment plan for any Curtailment Category (as defined under K. PROCEDURE FOR THE CURTAILMENT OF TRANSPORTATION SERVICES, 5. Order of suspension of service) in order to provide Gas to any transportation customer, whether firm or interruptible, having a higher Curtailment Category (i.e., Category 1 is higher than Category 2), where such Customer or Customer's Agent has failed to provide Gas for transportation in accordance with Gas Utilities procedures for Nominations and all applicable Terms and Conditions for Transportation Service.

In "RIGHT TO USE CUSTOMER'S GAS SUPPLY," delete the entire section. The Gas Utility should not have the right to confiscate a transportation customer's Gas.

Sheet 58: OPERATIONAL CONTROLS: FIGU opposes cloning of the FGT Operational Controls for use by Gas Utilities. A number of Gas Utilities in Florida have limited the use of such operational controls on their distribution systems and provide their transportation customers with various forms of monthly balancing combined with reasonable limitations on the Gas Utility's ability to restrict consumption of Gas by the transportation customer on a daily basis. This is a benefit to all involved. The administration of OFO's Pack and Draft Orders or similar measures by the Gas Utility on large numbers of individual customers is not practical for either the Customers or the Gas Utility. Such operational controls function in many respects like "Daily Balancing" when aggressively applied by the Gas Utility and are a strong dis-incentive to Customers who desire to use the Gas Utility's transportation service.

Sheet 74: CAPACITY ASSIGNMENT: FIGU agrees with Staff's proposal that the Gas Utility will require any Customer requesting Firm Transportation Service to obtain firm

capacity on the Transporting Pipeline from the Gas Utility. This requirement is important to assuring that the Gas Utility can maintain the operational integrity of its system, which in turn, protect's the Gas Utility's other customers from potential curtailments or interruption of service. Mandatory assignment of the Gas Utility's firm pipeline transportation capacity to Firm Transportation Customers also protects other Customers from the potential for Gas Utilities to seek to allocate or pass through stranded costs for pipeline capacity to its other customers.

Sheet 78: AGENT SERVICE AGREEMENT: As explained in detail above, the definition of "Agent" must be modified and a definition of "Designee" should be added (See: DEFINITIONS OF AGENT AND SUPPLIER). Also a new definition of "Firm Delivery Agreement" should be added (See: GAS UTILITY OBLIGATION TO SERVE). So long as the preceding definitions are changed and added, the Agent Service Agreement section of the Model Tariff is acceptable. A similar section providing for a Designee Agreement should also be included.

MARKETING AFFILIATES: FIGU strongly supports Staff's efforts to assure fairness and non-discriminatory behavior by Gas Utilities and their non-jurisdictional Marketing Affiliates.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Comments of Florida Industrial Power Users has been furnished by U.S. Mail/hand delivery(*) to the following parties of record, this 18th day of November, 1997:

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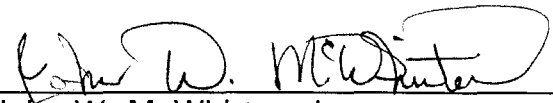
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