

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: April 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Guffey) *SKG* *ESD PD*
Office of the General Counsel (Janjic) *JS* *JC*

RE: Docket No. 170038-GU – Request for approval of tariff modifications related to natural gas vehicles and fueling facilities by Peoples Gas System.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/20/17 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

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COMMISSION CLERK

Case Background

On February 20, 2017, Peoples Gas System (Peoples or the company) filed a petition seeking approval of modifications to its Natural Gas Vehicle Service (NGVS) tariffs. Specifically, Peoples proposed modifications to its current NGVS-2 rate schedule and proposed new rate schedule NGVS-3. Rates and charges for NGVS customers are not changing. The proposed tariff changes are designed to provide more clarity regarding optional services offered by Peoples to customers buying natural gas for compression and delivery into compressed natural gas (CNG) vehicles.

In Order No. 25626, the Commission approved Peoples' original program for the use of CNG in motor vehicles.¹ The program was designed to assist fleet operators and filling station operators in obtaining compressor units to encourage the development of a CNG infrastructure. In 2013,

¹ Order No. 25626, issued January 22, 1992, in Docket No. 910942-EG, *In re: Petition for approval of its natural gas vehicle program for peoples Gas system, Inc.*

the Commission approved Peoples' currently available NGVS-2 tariff, which provides three options for Peoples to install and maintain private or public fueling stations for CNG customers.²

Section 334.044(33)(a)4., Florida Statutes (F.S.), encourages the increased use of natural gas to reduce transportation costs for businesses and residents within the state. Peoples waived the 60-day file and suspend provision of Section 366.06(3), F.S. The Commission has jurisdiction over this matter pursuant to Section 366.04, F.S.

² Order No. PSC-13-0446-PAA-GU, issued October 1, 2013, in Docket No. 130197-GU, *In re: Request for approval of tariff modifications related to natural gas vehicles and fueling facilities by People's Gas System.*

Discussion of Issues

Issue 1: Should the Commission approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule?

Recommendation: Yes. The Commission should approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule effective May 4, 2017. (Guffey)

Staff Analysis: The NGVS-2 rate schedule applies to customers wishing to buy gas for the purpose of compression and delivery into CNG vehicles. The NGVS-2 rate schedule was designed to provide customers with three options with respect to the facilities and equipment required for the compression and dispensing of CNG while allowing Peoples to recover its cost to provide these options.

Peoples explained that based on three years of experience with the NGVS-2 rate schedule, Peoples has determined that the three options can be confusing to customers and the company. Therefore, Peoples filed the instant petition to keep Option 1 as the only service provided under the NGVS-2 rate schedule, eliminate Option 2, and offer Option 3 under the new rate schedule NGVS-3. Peoples currently has no customers taking service under Options 2 and 3.

The current NGVS-2 rate schedule is included as Attachment A to the recommendation. The proposed modified NGVS-2 and proposed new NGVS-3 rate schedules are included as Attachment B. The three existing options contained in the NGVS-2 rate schedule and Peoples' proposed modifications with respect to each option are discussed below.

Under Option 1, *Company-provided Facilities on Customer's Premises*, Peoples incurs the capital cost to construct the CNG station and the ongoing costs associated with the maintenance of the CNG station. Customers are billed under the otherwise applicable residential or commercial rate schedules based on annual consumption. In addition, customers are assessed a monthly facilities charge to allow Peoples to recover the cost associated with the facilities provided. The company currently has three customers: the City of Orlando's Solid Waste Division, NoPetro in Orlando serving CNG buses, and St. Johns County serving their CNG fleet. These customers have CNG fueling facilities on their premises, such as at a public works parking lot or fleet vehicles yard. This option would remain available to customers and will be the only service covered under the NGVS-2 rate schedule.

Under Option 2, *Limited Access Facilities Located on Company Premises*, one or more customers can contract with the company to provide and maintain, on company premises, an NGV compression and fueling station. Similar to Option 1, customers pay a monthly facilities charge. Peoples explained that this tariff option, as written, would have been difficult to administer as facilities cost would vary based on the number of customers taking this option. The company stated that it does not anticipate future customers taking service under this limited service option on company premises as there are more fueling stations that are open to the public now; therefore, Peoples is proposing to eliminate NGVS-2 rate schedule's Option 2.

Current Option 3, *Publicly Accessible Facilities Located on Company Premises*, contained in the NGVS-2 tariff is designed for Peoples to operate a publicly accessible facility located on its premises. Customers under this option are not billed the otherwise applicable rate. Customers instead pay \$0.50 per therm for distribution and dispensing, in addition to the cost of gas. The \$0.50 per therm fee was developed to recover the estimated cost of providing the CNG to a vehicle in a public station.

Peoples is proposing to move Option 3 to a new rate schedule NGVS-3. Although, currently, there are no customers taking service under Option 3, it is proposed as a placeholder to be used when the opportunity arises for Peoples to build publicly accessible CNG fueling stations.

Conclusion

Peoples' proposed NGVS programs and tariffs are reasonable and will allow Peoples to recover its cost of providing CNG service. Staff recommends that the Commission approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule effective May 4, 2017.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved the tariffs should become effective on May 4, 2017. 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. (Janjic)

Staff Analysis: If Issue 1 is approved the tariffs should become effective on May 4, 2017. 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.

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

Original Sheet No. 7.401-2

NATURAL GAS VEHICLE SERVICE -2
Rate Schedule NGVS-2

Availability:

Throughout the service areas of the Company.

Applicability:

For gas delivered to any Customer for the purpose of compression and delivery into motor vehicle fuel tanks or other transportation containers ("NGV Service") pursuant to Rate Schedules RS, SGS, GS-1, GS-2, GS-3, GS-4, or GS-5. This schedule provides options to Customers with respect to the facilities and equipment required for compression and dispensing of compressed natural gas ("CNG"). It also provides (see Option 3) the terms and conditions for Company's fueling of natural gas vehicles at publicly available fueling stations.

Monthly Rate:

NGV Service is available under any rate schedule referenced under "Applicability" above based on Customer's annual consumption in Therms as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply notwithstanding Customer's election of one or more of the options available under this schedule. This schedule provides three options available to a Customer or Customers, and provides for monthly charges in addition to those provided by the rate schedule pursuant to which the Customer is receiving service from Company.

Monthly Facilities Charge when Company Provides Equipment Necessary for NGV Service:

The Monthly Facilities Charge, if applicable, shall be equal to 1.6% multiplied by the Company's Gross Investment in facilities, as determined by the Company, required to provide NGV Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by the Company, which facilities may include but are not limited to dryers, compressors, storage vessels, controls, piping, metering, dispensers, and any other related appurtenances including any redundancy necessary to provide reliable NGV Service and land and land rights, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The 1.6% factor is subject to adjustment if Customer makes a contribution in aid of construction and will be reduced based on the percentage of Company-provided Gross Investment to the total installed Gross Investment. The adjusted factor will be set forth in Company's agreement for NGV Service provided pursuant to this schedule. If such NGV Service is provided to more than one Customer, the Monthly Facilities Charge applicable to each Customer shall be set forth in the agreement with such Customer. The agreement may require a commitment by a Customer to purchase NGV Service for a minimum period of time, to take or pay for a minimum amount of NGV Service, a contribution in aid of construction, a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or other provisions as determined appropriate by the Company.

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Issued On: July 25, 2013

Effective: September 25, 2013

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

Original Sheet No. 7.401-3

NATURAL GAS VEHICLE SERVICE -2 (continued)

OPTION 1: COMPANY-PROVIDED FACILITIES ON CUSTOMER'S PREMISES

If Customer elects for Company to provide and maintain the necessary facilities for the provision of NGV Service on Customer's premises, the Monthly Facilities Charge shall apply and be billed by Company pursuant to the agreement with Customer, in addition to any other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company.

Under this option, the Company's provision and maintenance of the facilities required to provide NGV Service does not include the physical dispensing of CNG into vehicles, or the provision of electricity required to operate such facilities. The physical dispensing of CNG into vehicles, the collection and remittance of any federal, state or local tax imposed on CNG dispensed for use as a motor fuel, and the payment for electricity used to operate such facilities, shall be the sole responsibility of the Customer receiving NGV Service. Company-provided facilities could be those constituting a residential compression and fueling station.

OPTION 2: LIMITED ACCESS FACILITIES LOCATED ON COMPANY PREMISES

If Customer elects for Company, pursuant to agreement(s) with Customer and/or one or more other Customers, to provide and maintain, on Company premises, facilities for the provision of NGV Service, the Monthly Facilities Charge shall apply and be billed by Company pursuant to the agreement with Customer, in addition to any other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company. In addition, Customer shall also pay a CNG Dispensing Fee, the amount of which fee shall permit the Company to recover all costs related to dispensing CNG and be provided in the agreement between Company and Customer.

Under this option, Company shall collect from the Customer and remit to the applicable authority any motor fuel tax on CNG or the dispensing thereof. Any service provided pursuant to this Option 2 shall be provided at the times and on terms and conditions determined by Company and specified in the Company's agreement(s) with the Customer(s). The agreement(s) may require a Customer commitment to purchase service for a minimum period of time, to take or pay for a minimum amount of service, to make a contribution in aid of construction, to furnish a guarantee, surety bond or other means of establishing credit, and/or other provisions determined appropriate by Company.

OPTION 3: PUBLICLY ACCESSIBLE FACILITIES LOCATED ON COMPANY PREMISES

If Company offers service to Customer from facilities located on the Company's premises, the following charges shall apply in lieu of the charges otherwise applicable under this, or any other Company rate schedule or rider:

Distribution and Dispensing Charge: \$0.50 per Therm,
Plus Company's Gas Cost (as determined by Company),
Plus taxes applicable to CNG or the sale or dispensing of CNG for use as motor fuel

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Peoples Gas System
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Original Volume No. 3

Original Sheet No. 7.401-4

NATURAL GAS VEHICLE SERVICE-2 (continued)

The total charge, consisting of the Distribution and Dispensing Charge, Company's Gas Cost, and taxes, shall be as determined by Company; provided, however, that the Company's Gas Cost component of the charge shall not be less than Company's monthly Purchased Gas Adjustment ("PGA") factor in effect at the time of the sale to Customer. The total charge to the Customer, (less the Distribution and Dispensing Charge and applicable taxes) will be accounted for by Company as recovery of gas cost in Docket No. 130003-GU (the annual PGA docket) and successor dockets.

Any service provided by Company pursuant to this Option 3 shall be provided at the times and on terms and conditions determined by Company.

Special Conditions:

1. A separate meter or sub-meter may be requested by the Customer or required by Company; in which case the Customer will pay the cost of the meter (which shall remain the property of the Company) and its installation.
2. The collection and remittance of any federal or state or local tax imposed on CNG or the dispensing thereof for motor fuel shall be the responsibility of the Customer or Retailer, unless otherwise provided for in Customer's agreement with Company.
3. NGV service is not available for resale by a residential customer.
4. If Customer has elected Option 2 or Option 3, Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.
5. If the Company, alone or in partnership with another entity, responds to a competitive situation of a government agency or commercial customer that will consume quantities greater than 100,000 Therms per year, the Company has the option to provide NGV service, equipment, facilities, and distribution at rates and charges set on an individual Customer basis via a special contract as long as the rate is above incremental cost with a reasonable return. At the Company's discretion it may recover the difference between the otherwise applicable tariff rate and the approved special contract rate under this rate provision through Company's Competitive Rate Adjustment Clause set forth on Sheet No 7.101-5.
6. If a Customer desires to phase in the use of CNG as motor fuel and is acquiring and placing into service vehicles fueled by CNG over a period of years, the Monthly Facilities Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. However, the net present value of the revenue from the phased-in charges, discounted at the Company's then authorized rate of return, shall be set equal to the net present value of the revenue that would have been generated over the term of the agreement if the Monthly Facilities Charge had not been phased-in. Any such phase-in shall be included in the agreement between Customer and Company.

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Peoples Gas System
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First Revised Sheet No. 7.401-2
Cancels Original Sheet No. 7.401-2

NATURAL GAS VEHICLE SERVICE -2
Rate Schedule NGVS-2

Availability:

Throughout the service areas of the Company.

Applicability:

For compression service provided by Company for gas delivered to any Customer for compression and delivery into motor vehicle fuel tanks or other transportation containers ("NGV Service") pursuant to Rate Schedules RS, SGS, GS-1, GS-2, GS-3, GS-4, or GS-5.

Monthly Rate:

NGV Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual consumption in Therms as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer receives service from Company, Customer shall pay a Monthly Services Charge equal to 1.6% multiplied by the Company's Gross Investment in the facilities, as determined by the Company, required to provide NGV Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by the Company, necessary to provide reliable NGV Service. The 1.6% factor is subject to adjustment if Customer makes a contribution in aid of construction and will be reduced based on the percentage of Company-provided Gross Investment to the total installed Gross Investment. The adjusted factor will be set forth in Company's agreement for NGV Service provided pursuant to this schedule. The agreement may require a commitment by a Customer to purchase NGV Service for a minimum period of time, to take or pay for a minimum amount of NGV Service, a contribution in aid of construction, a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or other provisions as determined appropriate by the Company.

The Monthly Services Charge shall be billed by Company pursuant to the agreement with Customer, in addition to the other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company.

Company's provision and maintenance of the facilities required to provide NGV Service does not include the physical dispensing of compressed natural gas ("CNG") into vehicles, or the provision of electricity required to operate such facilities. The physical dispensing of CNG into vehicles, the collection and remittance of any federal, state or local tax imposed on CNG dispensed for use as a motor fuel, and the payment for electricity used to operate such facilities, shall be the sole responsibility of the Customer receiving NGV Service.

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Original Volume No. 3

First Revised Sheet No. 7.401-3
Cancels Original Sheet No. 7.401-3

NATURAL GAS VEHICLE SERVICE-2 (continued)

Special Conditions:

1. A separate meter or sub-meter may be requested by the Customer or required by Company; in which case the Customer will pay the cost of the meter (which shall remain the property of the Company) and its installation.
2. The collection and remittance of any federal or state or local tax imposed on CNG or the dispensing thereof for motor fuel shall be the responsibility of the Customer or Retailer, unless otherwise provided in Customer's agreement with Company.
3. Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.
4. If the Company, alone or together with another entity, responds to a competitive situation of a Customer that will consume quantities greater than 100,000 Therms per year, the Company may provide NGV Service at rates and charges set on an individual Customer basis via a special contract as long as the rate is above incremental cost with a reasonable return. At the Company's discretion it may recover the difference between the otherwise applicable tariff rate and the approved special contract rate under this provision through Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.
5. If a Customer desires to phase in the use of CNG as motor fuel and is acquiring and placing into service vehicles fueled by CNG over a period of years, the Monthly Services Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. The terms of any such phase-in shall be included in the agreement between Customer and Company.
6. Service under this schedule shall be subject to the operation of the Company's Tax and Adjustment Clause set forth on Sheet No. 7.101-5.

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First Revised Sheet No. 7.401-4
Cancels Original Sheet No. 7.401-4

NATURAL GAS VEHICLE SERVICE – 3
Rate Schedule NGVS - 3

Availability:

Throughout the service areas of the Company at such locations as are determined by Company.

Applicability:

Compressed natural gas ("CNG") for delivery into motor vehicles or other transportation containers from publicly accessible facilities owned by Company and located on Company's premises.

Monthly Rate:

None.

Distribution and Dispensing Charge:

\$0.50 per Therm.
Plus Company's Gas Cost (as determined by Company).
Plus taxes applicable to CNG or the sale or dispensing of CNG for use as motor fuel.

The total charge, consisting of the Distribution and Dispensing Charge, Company's Gas Cost, and taxes, shall be as determined by Company; provided, however, that the Company's Gas Cost component of the charge shall not be less than Company's monthly Purchased Gas Adjustment ("PGA") factor in effect at the time of the sale to Customer. The total charge to the Customer, (less the Distribution and Dispensing Charge and applicable taxes) will be accounted for by Company as recovery of gas cost in Docket No. 170003-GU (the annual PGA docket) and successor dockets.

Any service provided by Company pursuant to this rate schedule shall be provided at the times and on terms and conditions determined by Company.

Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.

Service under this schedule shall be subject to the operation of the Company's Tax and Adjustment Clause set forth on Sheet No. 7.101-5.

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