

CITY OF MARIANNA
CITY COMMISSION WORKSHOP

JANUARY 5, 2016

4:30 PM (cst)

CITY HALL

1. Call To Order

2. Roll Call

Mayor and Commissioners

Travis H. Ephriam, Mayor - District 1

Allen Ward II, Mayor Pro Tem - District 3 John E. Roberts, Commissioner - District 2

Rico Williams, Commissioner - District 4 Kenneth Hamilton, Commissioner - District 5

3. Invocation And Pledge To The Flag

4. Workshop Discussion

4.A. FGU Rate Case Study

Presentation by: Tom Geoffroy


Documents: [FGU POWERPOINT.PDF](#)

4.B. Proposed CRA West End

5. Adjourn

The City of Marianna is an Equal Opportunity Employer and a Drug-Free Workplace. In accordance with the adopted Section 504 Policy, the City will take affirmative steps to reasonably accommodate the disabled and ensure their needs are equitably represented in City programs and activities. Pursuant to Title VI and the Civil Rights Act of 1964, the City will not exclude from participation in, deny the benefits of, or subject to discrimination anyone on the grounds of race, color, national origin, sex, age, disability, religion, language, income or family status. For assistance with EEO, Title VI or Section 504 matters contact the Human Resources Office at 850-482-4353. The City also has a Fair Housing Ordinance. For assistance with Fair Housing matters

contact the Municipal Development Director at 850-482-2786. In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate in this meeting should contact the City Clerk's Office at 850-482-4353 no later than 3 days prior to the meeting. City Hall is located at 2898 Green Street, Marianna, FL.



**Florida
GAS UTILITY**

Pipeline Capacity

City of Marianna
January 5, 2016

Who We Are

- Florida Gas Utility (“FGU”) is a non-profit municipal agency with a 25+ year history of generating substantial value for Members.
- We have 22 Members across the state of Florida – from the Town of Jay to the City of Homestead
- Members include 6 electric generation and 16 local distribution companies (LDC)
- We provide a complete palette of natural gas services



FGU Membership Benefits

- Transportation aggregation
 - Our Goal – efficient use of 100% of Members' pipeline capacity
 - Allows for easier marketability of excess pipeline capacity
 - Between members
 - To outside customers
- Better pricing from suppliers due to large loads
- Participation in Special Projects
- Sharing of administrative costs
- Additional Member Services projects
- Joint regulatory representation
 - FGU is the 5th largest shipper on FGT



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Why We're Here Today

To discuss an opportunity from the current FGT rate case to "right-size" FGU's aggregated pipeline capacity position, which includes Marianna's pipeline capacity



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FGT Rate Case

- Florida Gas Transmission (FGT) files a rate case with the Federal Energy Regulatory Commission (FERC) every 4-5 years
- Latest rate case was filed on October 31, 2014
- FERC Staff evaluates pipeline rates and other tariff provisions
- All FGT shippers are affected
- A settlement was reached in September 2015 by all parties
- FERC issued order on December 4 approving without modification the FGT Settlement of the rate case
- Effective February 1, 2016
- Negotiated the ability to turn back Members' excess pipeline capacity



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What is Pipeline Capacity?

- You can't see it, hear it, smell it, taste it or feel it.
- But in the natural gas business, you have to have it!
- Pipeline capacity is simply space inside a piece of pipe.
- There is a finite amount of it at any point in time.
- Without it, you can't get your gas supply from the well to the City.



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Current Capacity Position

MARIANNA	SEASON	AVERAGE CONSUMPTION	CURRENT ENTITLEMENTS	CURRENT LOAD FACTOR
	Winter	890	3550	25.06%
	April	667	3550	18.79%
	Summer	524	1292	40.59%
	October	590	3550	16.63%

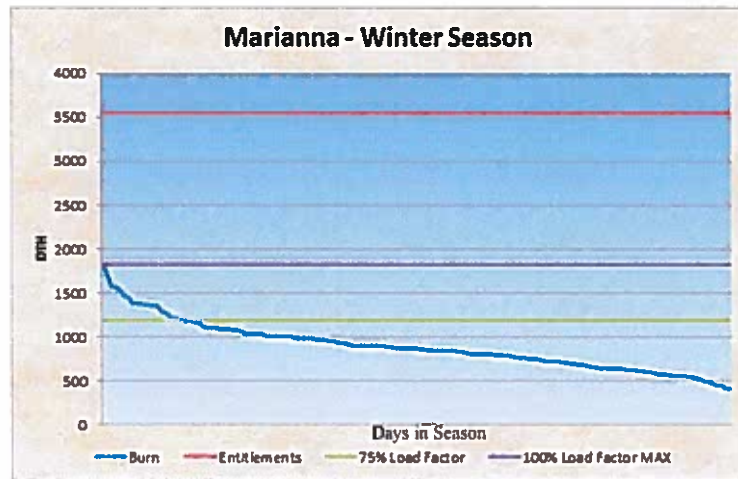
Currently, only between 15-40% of the current capacity is being utilized, on average. This means that the City is paying for 60-85% of their capacity that goes unutilized.

Pipeline Capacity Opportunity

During the rate case process, FGU successfully negotiated the ability for Members to adjust their pipeline capacity position that could result in lower costs without significantly increasing the risks or reliability associated with such capacity position.



Load Duration Curve



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75% Load Factor

This option assumes that the City will, on average in each season, use 75% of their pipeline capacity. At this level, there will likely be days that the City will need more gas than it has capacity rights for, which could result in penalties. FGU has several ways to mitigate the risk of these penalties, so the likelihood of incurring these penalties is low.

Pros: one of the lowest cost options, can reduce costs by remarketing excess capacity, should be enough capacity for the City to cover most days

Cons: may be subjected to penalties on peak days, more limiting to growth opportunities



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75% Load Factor

MARIANNA	SEASON	AVERAGE CONSUMPTION	75% LF ENTITLEMENTS	LOAD FACTOR
	Winter	890	1190	75%
	April	667	890	75%
	Summer	524	700	75%
	October	590	790	75%



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100% Peak Load Factor

This option assumes that the City will retain enough pipeline capacity to cover their historical peak needs in each season.

Pros: low cost option, can reduce costs by remarketing excess capacity, sufficient capacity for the City to cover historical peak days, minimizes exposure to penalties on peak days, more opportunity for normal growth

Cons: not the lowest cost option



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100% Peak Load Factor

MARIANNA	SEASON	AVERAGE CONSUMPTION	100% PEAK LF ENTITLEMENTS	LOAD FACTOR
	Winter	890	1820	49%
	April	667	1040	64%
	Summer	524	1000	52%
	October	590	1020	58%



SFTS Conversion

Under this option, the City would retain all of its current capacity, but will only pay for the capacity it actually uses. The rate for SFTS, however, is double the FTS-1 rate. As long as the City uses 50% or less of its capacity, this is a viable option.

Pros: one of the lowest cost options, retains current level of capacity, no exposure to penalties, plentiful room to grow

Cons: cannot mitigate costs by remarketing capacity, difficult to manage monthly imbalance, FGT has certain restrictions on SFTS service, may not remain set at 50% load factor in future rate cases



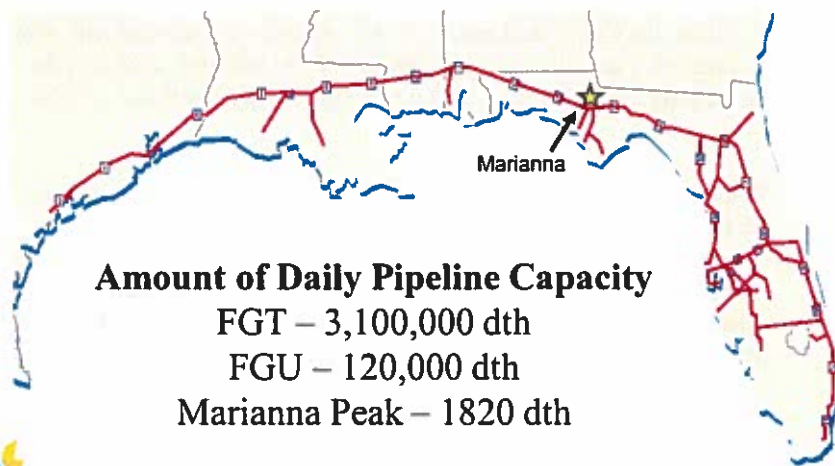
Don't Worry!

- Reliability isn't compromised with any of these options
- FGU can still deliver gas to the City, even if it needs more pipeline capacity – a benefit of being an FGU Member!



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FGT's System



Amount of Daily Pipeline Capacity

FGT – 3,100,000 dth

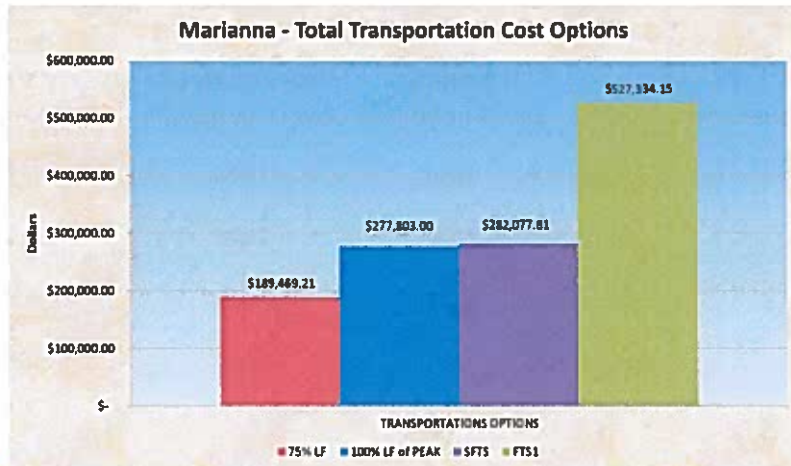
FGU – 120,000 dth

Marianna Peak – 1820 dth



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Pipeline Capacity Costs



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Recommendation

FGU has worked closely with Marianna's staff, and after carefully evaluating the City's pipeline capacity position, recommends adjusting capacity to the 100% Load Factor of Peak level for each season.

This option will dramatically decrease pipeline capacity costs, while retaining sufficient capacity to meet the City's needs and leaving room for normal growth opportunities.



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Recommended Capacity Turnback

MARIANNA	SEASON	CURRENT ENTITLEMENTS	100% PEAK LF ENTITLEMENTS	FGU RECOMMENDED TURNBACK
	Winter	3550	1820	1730
	April	3550	1040	2510
	Summer	1292	1000	292
	October	3550	1020	2530

