

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

August 22, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING  
FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, FULFORD) *MAKIN*  
DIVISION OF LEGAL SERVICES (ERSTLING) *ERSTLING*  
RE: DOCKET NO. 960003-GU - WEST FLORIDA NATURAL GAS COMPANY  
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP *VOJ* *JOJ*  
AGENDA: 09/3/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

CRITICAL DATES: 10/13/96 - 60 DAY FILE AND SUSPEND

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960003.  
~~WESTFLORIDA~~.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant West Florida Natural Gas Company's (West Florida) petition for an increase in its PGA cap from 33.300 cents per therm to 39.781 cents per therm?

RECOMMENDATION: Yes. The Commission should approve West Florida's proposed PGA cap of 39.781 cents per therm for meter readings taken on and after September 3, 1996, through March 31, 1997 billing cycles.

STAFF ANALYSIS: On August 13, 1996, West Florida filed a petition for expedited relief, (mid-course correction) to its currently authorized purchased gas adjustment cap for the period September 1, 1996 through March 31, 1997.

West Florida's existing PGA factor of 33.300 cents per therm (for the period April, 1996 through March, 1997) was based on projected purchased gas costs of \$11,736,171 divided by projected therm sales of 35,243,756.

West Florida currently projects to have an underrecovery of \$1,745,272. The proposed increase in the PGA cap for September 1, 1996 through March 31, 1997 of 6.481 cents per therm, will increase a typical residential customer's bill by \$1.94, and help reduce the

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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impact on ratepayers during the twelve months beginning April, 1997.

A significant increase in the demand for natural gas has resulted in an unanticipated increase in the commodity cost of gas, with an unanticipated reduction in therm sales. The cost increase is the outcome of what transpired during the 1995-1996 winter season. Many parts of the country reported having colder than normal weather throughout much of the last winter. This resulted in strong gas demand and high gas storage field withdrawal throughout the season. The winter season ended with storage field levels being at the lowest level in several years. This situation forced storage service customers and field managers to begin injecting gas back into the fields to ensure adequate inventories for next winter.

The Commission has previously approved mid-course corrections to become effective in less than 30 days after the Commission vote which approved the change in PGA factor. Staff recognizes there will not be time to conduct a prudence review of the Company's re-projections of purchased gas costs prior to the implementation of the increase in the PGA factor. However, a prudence review will occur as a matter of course during the hearing to be held in Docket No. 970003-GU in February 1997. If the increase in the cost recovery cap is ultimately found imprudent, West Florida's ratepayers will suffer no harm since all costs found imprudent will be disallowed for recovery and will flow back to the affected ratepayers through the true-up mechanism.

**ISSUE 2:** Should this Docket be closed?

**RECOMMENDATION:** No. The Purchased Gas Adjustment Clause docket should remain open. If Issue 1 is approved, the tariff should become effective with customer billings on cycle day 3 of September, 1996.

**STAFF ANALYSIS:** The Purchased Gas Adjustment Clause is an ongoing clause and the docket should remain open. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest.