



DATE: JUNE 18, 1998
TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)
FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, BULECZA-BANKS, MILLS, LOWERY, BROWN) [Handwritten initials: MAK, CB, MB]
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (L. ROMIG) [Handwritten initials: SM, JS]
DIVISION OF LEGAL SERVICES (CRUZ-BUSTILLO) [Handwritten initials: JCB, RVE, DM, JDJ, TB]
RE: DOCKET NO. 980227-GU - PETITION BY SEBRING GAS SYSTEM, INC. FOR APPROVAL OF TARIFF FILING TO INCLUDE RATE SCHEDULE GENERAL SERVICE LARGE VOLUME-1 (GSLV-1) FOR LARGE VOLUME USERS.
AGENDA: 06/30/98 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: 60-DAY SUSPENSION DATE: 04/11/98
SPECIAL INSTRUCTIONS: COMPANY WAIVED 60-DAY SUSPENSION DATE
FILE NAME AND LOCATION: S:\PSC\EAG\WP\980227.RCM

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Sebring Gas System, Inc.'s (Sebring) petition for approval of tariff filing to include rate schedule General Service Large Volume-1 (GSLV-1) for customers that consume 100,000 therms or more annually?

RECOMMENDATION: Yes. The Commission should approved Sebring's petition to include rate schedule General Service Large Volume-1 (GSLV-1) for customers that consume 100,000 therms or more annually. (Makin, Bulecza-Banks, Mills, Lowery, Brown, L. Romig, Merta)

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

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STAFF ANALYSIS: On February 11, 1998, Sebring filed its petition for approval of a tariff filing to include a new rate schedule, General Service Large Volume-1 (GSLV-1). On March 10, 1998, Sebring filed to waive the 60-day file and suspend requirement to allow time to correct for errors made in its initial filing. On June 16, 1998, Sebring revised its filing to correct the errors made in its initial filing.

At the present time, Sebring does not have a rate schedule to accommodate large volume service customers who consume 100,000 therms of natural gas a year. The load and usage characteristics of Sebring's existing customers are significantly different from Sebring's prospective customers. The difference in load and usage characteristics warrants a new rate schedule.

The Company performed two cost of service studies. One study was performed on an incremental basis, the other on a fully allocated basis. The proposed rate as corrected (\$100.00 Customer Charge and 9.753 cents per therm non-fuel energy charge) covers the cost to serve on either an incremental or fully allocated basis.

The addition of this prospective customer on the proposed GSLV-1 rate will not cause Sebring to earn above its authorized return on equity (ROE), nor will it adversely affect service to existing residential and commercial customers. As reflected in its Earnings Surveillance Report for the 12 months ended December 31, 1997, the Company's achieved net operating income is \$4,207 on a rate base of \$855,748. This represents an achieved ROE of -24.84%. Sebring's authorized midpoint on its ROE is 11.0%. The revenue impact of a 1% change in ROE is approximately \$3,400. The revenue impact of adding this one customer is approximately \$10,462 or a 3.07% increase to ROE.

Accordingly, Staff recommends Sebring's proposed rate schedule for general service large volume customers as corrected, be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person, whose substantial interest are affected by the action proposed by this recommendation, files a protest within 21 days of the order, this docket should be closed. If a protest is filed within 21 days from the issuance of the order, the rates should remain in effect with any increase held subject to refund, pending resolution of the protests. (Cruz-Bustillo)

STAFF ANALYSIS: If no person, whose substantial interest are affected by the action proposed by this recommendation, files a protest within 21 days of the order, this docket should be closed. If a protest is filed within 21 days from the issuance of the order, the rates should remain in effect with any increase held subject to refund, pending resolution of the protests.