



Public Service Commission

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DATE: JULY 20, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMPETITIVE SERVICES (MAKIN, BULECZA-BANKS)
DIVISION OF LEGAL SERVICES (C. KEATING) WCK RJE

RE: DOCKET NO. 000003-GU - PURCHASED GAS ADJUSTMENT (PGA)
TRUE-UP - PETITION OF SOUTH FLORIDA NATURAL GAS FOR
APPROVAL OF MID-COURSE CORRECTION IN PGA CAP

AGENDA: AUGUST 1, 2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\000003.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant South Florida Natural Gas' (South Florida or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 31.066 cents per therm to 51.222 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the proposed PGA cap of 51.222 cents per therm effective August 1, 2000, the date of the Commission vote, through the December 31, 2000 billing cycles. (MAKIN)

STAFF ANALYSIS: On July 11, 2000, South Florida filed a petition for expedited relief in the form of a mid-course correction to its currently authorized purchased gas adjustment cap for the period August 1, 2000, through December 31, 2000.

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South Florida's existing PGA factor for the period January 2000, through December 2000, is 31.066 cents per therm. This factor was derived by dividing projected purchased gas costs of \$849,508 by projected therm sales of 2,748,250.

Currently, South Florida projects to have an underrecovery of \$281,305 for this recovery period. The proposed increase in the PGA cap for August 1, 2000, through December 31, 2000, will not eliminate the full amount of the projected underrecovery. The underrecovery will, however, be reduced to approximately \$88,038 which will be included in the projected January 2001 through December 2001 period.

South Florida's expenses have increased by twenty-five percent, as a result of increased gas costs on a national level. Increasing the PGA cap from 31.066 to 51.222 cents per therm during the period August 1, 2000 through December 31, 2000, will cause a \$4.03 increase per month for residential customers using 20 therms.

Increasing the PGA cap now will help reduce the impact of the underrecovery on ratepayers during the twelve month period of January 2001, through December 2001.

South Florida has requested that the mid-course correction become effective with the first billing cycle in August 2000. The Company has proposed to phase in the increase in gas costs as they occur. By phasing in the increase in this manner the Company may be able to avoid raising the rate to the cap if gas costs do not continue to increase at current levels. Unlike the recent City Gas mid-course correction, South Florida will not need to prorate the mid-course correction because the implementation begins with the first billing cycle in August.

Accordingly, Staff recommends the mid-course correction become effective August 1, 2000, the date of the Commission vote.

Staff recognizes there will not be time to conduct a prudence review of South Florida's re-projections of purchased gas costs prior to implementing the increase in the PGA factor. However, a prudence review will occur in preparation for the hearing in Docket No. 000003-GU, scheduled for November 2000. If the increase in the cost recovery cap is ultimately found imprudent, South Florida's ratepayers will suffer no harm since any costs found imprudent will be disallowed for recovery and will flow back to the ratepayers through the true-up mechanism.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. The Purchased Gas Adjustment True-up docket is ongoing and should remain open. (C. KEATING)

STAFF ANALYSIS: The Purchased Gas Adjustment True-up docket is ongoing and should remain open.