

State of Florida



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**Public Service Commission**

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RECORDS AND  
**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** AUGUST 3, 2000

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

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

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

**AGENDA:** AUGUST 15, 2000 - REGULAR AGENDA - INTERESTED PERSONS MAY  
PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

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

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**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission grant Peoples Gas System's (Peoples or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 55.097 cents per therm to 65.764 cents per therm?

**RECOMMENDATION:** Yes. The Commission should approve Peoples' proposed PGA cap of 65.764 cents per therm effective August 31, 2000, through the December 31, 2000 billing cycles. (MAKIN)

**STAFF ANALYSIS:** On July 25, 2000, Peoples 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 31, 2000, through December 31, 2000.

DOCUMENT NUMBER - DATE

09407 AUG-38

FPSC-RECORDS/REPORTING

Peoples' existing PGA factor for the period January 2000, through December 2000, is 55.097 cents per therm. This factor was derived by dividing projected purchased gas costs of \$150,709,166 by projected therm sales of 290,849,058.

Currently, Peoples projects to have an underrecovery of \$8,103,601 for this recovery period. The proposed increase in the PGA cap for August 31, 2000, through December 31, 2000, will not eliminate the full amount of the projected underrecovery. The increase will, however, reduce the amount which will be included in the projected January 2001 through December 2001 period.

Peoples' expenses have increased by twenty-five percent, as a result of increased gas costs on a national level. Increasing the PGA cap from 55.097 to 65.764 cents per therm during the period August 31, 2000 through December 31, 2000, will cause a \$2.67 increase per month for residential customers using 25 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.

Peoples has requested that the mid-course correction become effective with the first billing cycle in September 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, Peoples will not need to prorate the mid-course correction because the implementation begins with the first billing cycle in September.

Accordingly, Staff recommends the mid-course correction become effective August 31, 2000, (September's first billing cycle reading date).

Staff recognizes there will not be time to conduct a prudence review of Peoples' 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, Peoples' 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.