

State of Florida



Public Service Commission

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RECORDS AND REPORTING

DATE: OCTOBER 5, 2000

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

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

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

AGENDA: OCTOBER 17, 2000 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

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

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Florida Public Utilities Company's, (Florida Public or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 50.050 cents per therm to 70.384 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the Company's proposed PGA cap of 70.384 cents per therm effective November 1, 2000, through the December 31, 2000 billing cycles. (MAKIN)

STAFF ANALYSIS: On September 26, 2000, Florida Public 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 November 1, 2000, through December 31, 2000. Jurisdiction over this matter is vested in the Commission by

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several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Florida Public's existing PGA factor for the period January 2000 through December 2000 is 50.050 cents per therm. The 50.050 factor was derived by dividing projected purchased gas costs of \$21,650,251 by projected therm sales of 43,417,920.

Currently, Florida Public projects to have an underrecovery of \$1,572,504 for this recovery period. The proposed increase in the PGA cap to 70.384 cents per therm for November 1, 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.

Florida Public's expenses have increased, as a result of increased gas costs on a national level. Further, the Company historically has experienced higher gas costs during the winter months. Increasing the PGA cap from 50.050 to 70.384 cents per therm during the period November 1, 2000 through December 31, 2000, will cause a \$5.08 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.

Florida Public has requested that the mid-course correction become effective with the first billing cycle in November 2000. Unlike the recent City Gas mid-course correction, Florida Public will not need to prorate the mid-course correction because the implementation begins with the first billing cycle in November.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective November 1, 2000 (November's first billing cycle reading date).

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