

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida
Public Utilities Company for
closure of Interruptible
Service, Large Volume
Interruptible Service,
Interruptible Transportation
Service and Large Volume
Interruptible Transportation
Service rate schedules.

DOCKET NO. 980599-GU
ORDER NO. PSC-98-0985-FOF-GU
ISSUED: July 20, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING TARIFF REVISIONS
TO CLOSE INTERRUPTIBLE SERVICE RATE SCHEDULES

BY THE COMMISSION:

On April 30, 1998, Florida Public Utilities Company (FPUC) filed a petition to close its Interruptible Service (IS), Large Volume Interruptible Service (LVIS), Interruptible Transportation Service (ITS), and Large Volume Interruptible Transportation Service (LVITS) rate schedules. Currently, FPUC has sixteen interruptible customers.

FPUC has eight rate classes. Of these rate classes, four apply to firm customers, and four apply to interruptible customers. Sixty-two percent of FPUC's annual sales and deliveries are derived from firm customers. The remaining thirty-eight percent are derived from interruptible customers.

The purpose of having interruptible customers is to provide the gas utility the ability to react to emergency situations involving system constraints. System constraints can relate to an interstate pipeline, an intrastate pipeline, a distribution system, or a combination of these entities. The constraints can include capacity, natural gas supply, or both. During these situations, interruptible customers may be curtailed to allow the gas utility to meet firm demand while maintaining operational integrity. Because the interruptible customers are subject to curtailment,

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they pay a lower rate than firm customers. This differential is intended to account for the lower level of service.

In its petition, FPUC states that there are two primary reasons for seeking closure of the interruptible rate schedules. First, FPUC states that it has more than adequate interruptible resources to enable it to react reasonably to emergency situations that could result in curtailment. In support of this claim, FPUC states that the last time it curtailed a customer was in December, 1989. FPUC asserts that several things have occurred since that time which improved the operational reliability of FPUC's natural gas system.

FPUC has taken action to improve its system reliability. FPUC has subscribed to substantial firm pipeline capacity, has augmented its natural gas supply portfolio, and installed an additional gate station. These actions were taken to improve and enhance system reliability so that FPUC could avoid curtailment of any of its customers.

FPUC's second reason for seeking closure relates to a reduction in revenues. FPUC claims that by allowing additional customers on these rate schedules, there is an unnecessary reduction in revenues FPUC would otherwise collect, without providing meaningful benefits to FPUC's general body of ratepayers. FPUC states that such revenue erosion would increase the likelihood of future rate increases. Traditionally, interruptible customers pay a lower rate to reflect a lower level of service. However, since the threat of FPUC curtailing an interruptible customer is minimal, there is no real distinction between firm and interruptible service. As a result, FPUC is foregoing revenues to which it would otherwise be entitled, for providing a firm level of service.

Under its petition, existing customers served under rate schedules IS, LVIS, ITS, and LVITS would not be affected by the proposed changes. The special condition of rate schedule IS and ITS would allow these customers to transfer between the IS and ITS rate schedules. Similarly, LVIS and LVITS customers would be able to transfer between the LVIS and LVITS rate schedules.

We find that the actions taken by FPUC to improve its natural gas system make further increases in IS, LVIS, ITS, LVITS loads unnecessary and inconsistent with FPUC's efforts to provide adequate, reliable service in a cost efficient manner. FPUC's

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current total interruptible load appears to be adequate to handle distribution and pipeline system interruptions. Accordingly, we approve FPUC's petition for closure of its IS, LVIS, ITS, and LVITS rate schedules.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised tariffs filed by Florida Public Utilities Company closing its Interruptible Service, Large Volume Interruptible Service, Interruptible Transportation Service and Large Volume Interruptible Transportation Service rate schedules are approved. It is further

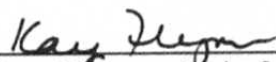
ORDERED that Florida Public Utilities Company's revised tariffs shall be deemed effective as of the date of our vote to approve them, June 30, 1998. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariffs shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 20th day of July, 1998.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn, Chief
Bureau of Records

(S E A L)

LJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 10, 1998.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.