

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

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RECEIVED-FPSC

DATE: OCTOBER 5, 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 ST. JOE NATURAL GAS 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.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant St. Joe Natural Gas Company's, (St. Joe or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 44.900 cents per therm to 86.400 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the Company's proposed PGA cap of 86.400 cents per therm effective for all meter readings beginning with the Company's October 2000 billing cycle through the December 31, 2000. (MAKIN)

STAFF ANALYSIS: On September 21, 2000, St. Joe 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 October through December 2000. Jurisdiction over this matter is

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vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

St. Joe's existing PGA factor for the period January 2000 through December 2000 is 44.900 cents per therm. The 44.900 factor was derived by dividing projected purchased gas costs of \$52,925 by projected therm sales of 1,205,091.

Currently, St. Joe projects to have an underrecovery of \$160,245 for this recovery period. The proposed increase in the PGA cap to 86.400 cents per therm for October 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.

St. Joe's expenses have increased, as a result of increased gas costs on a national level. Increasing the PGA cap from 44.900 to 86.400 cents per therm during the period October 1, 2000 through December 31, 2000, will cause a \$10.50 increase per month for residential customers using 25 therms, if the cap is charged.

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.

St. Joe has requested that the mid-course correction become effective with the first billing cycle in October 2000. Unlike other utilities, St. Joe has one billing cycle in which St. Joe reads its meters in one day at the end of the month. Therefore, the implementation of the increase in the PGA cap begins with the billing cycle at the end of October.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective with all meter readings taken at the end of October 2000.

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