

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment)
(PGA) True-Up)
_____)

Docket No. 080003-GU
Filed: July 21, 2008

**PETITION OF FLORIDA CITY GAS FOR APPROVAL OF MID-COURSE
CORRECTION IN PGA CAP**

Florida City Gas ("City Gas" or "the Company") hereby submits this petition to the Commission for approval of a revision, through a mid-course correction, to its purchased gas adjustment ("PGA") cap to be applied to bills issued after September 1, 2008, and in support thereof says:

1. The name of the petitioner and the mailing address of its principal office in Florida is:

Florida City Gas
955 East 25th Street
Hialeah, FL 33013

2. The names and mailing addresses of the persons authorized to receive notices and communications with respect to this petition are:

Beth Keating
Akerman Senterfitt
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Suite 1200
Tallahassee, FL 32301
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AGL Resources Inc.
Elizabeth Wade
Ten Peachtree Place
Location 1470
Atlanta, GA 30309
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3. This Commission has adopted a method for the recovery of purchased gas costs by regulated natural gas utilities to be used for the recovery of such costs through the calendar year, commencing January 1 and ending December 31. For this period in the Year 2008, each

investor-owned natural gas utility has been assigned a levelized PGA factor to serve as a cap or maximum recovery factor. Order No. PSC-07-0934-FOF-GU, issued by this Commission on November 26, 2007, assigned Florida City Gas a levelized purchased gas cost cap (also referred to as the PGA factor) for the period January 2008 through December 2008 of 114.875 cents per therm.

4. In Order No. PSC-93-0708-FOF-GU, issued May 10, 1993 in Docket No. 930003-GU, the Commission emphasized that a utility may at its option, formally request a mid-course correction if re-projected expenses for the remaining period significantly exceed projected revenues for the period by 10%, when using the Commission-approved cap, in order to avoid large fluctuations in the purchased gas factor for subsequent periods.

5. As indicated by the Schedules E-1 and E-2 Without Midcourse Correction (attached hereto as Appendix A), the Company projects that expenses for the period January 2008 through December 2008, will exceed revenues by approximately fifteen (15%). At current gas prices the Company projects that its expenses for the period will exceed its revenues for the same period by \$6,882,009.

6. The reason the Company's expenses exceed revenues by 15% is the significantly increased global demand for energy and the increased use of natural gas for electric generation as well as the uncertainty of the upcoming Hurricane season. Furthermore, gas prices have been impacted by the increased cost of oil, which has, consequently, increased the demand for natural gas. In addition, gas costs have been impacted nationally by lower storage levels as compared to last year at this time. These conditions have caused an unanticipated increase in gas costs on a

national basis over the period since the Company's cap was approved by the Commission in December 2007. As a result, FCG's natural gas costs are significantly higher than originally projected.

7. Florida City Gas requests that the Commission approve an increase in its PGA cap from 114.875 cents per therm to 148.875 cents per therm. This rate will eliminate FCG's underrecovery as shown on Schedule E-2 (With Midcourse Correction) page 2 of 2 of Attachment B, however the Company does not intend to fully eliminate its under recovery by year end but rather to manage its PGA rate into 2009 as well as accommodate market uncertainty over the remainder of 2008 with the expectation that some level of under recovery will remain. The revised PGA cap rate as well as setting the PGA, at a minimum, to current market rates will provide customers with the appropriate price signals to make adjustments in their usage levels while affording the Company the opportunity to recover incurred and anticipated costs from increased natural gas prices.

8. A residential customer with monthly consumption of 20 therms would incur an additional gas cost of \$6.80 per month if the PGA were to be increased to the proposed new cap.

9. The Commission has recognized that mid-course corrections are appropriate when the amount of underrecovery is substantial.¹ The Commission has also recognized that mid-course corrections, as originally described in Order No. 13694, are necessary to avoid rate shock to

¹ See, Orders Nos. PSC-01-0409-PCO-GU, PSC-01-0410-PCO-GU, PSC-01-0411-PCO-GU, PSC-01-0412-PCO-GU, PSC-01-0413-PCO-GU, PSC-01-0414-PCO-GU, PSC-01-0414-PCO-GU, and PSC-01-0416-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, *Purchased Gas Adjustment True-Up*, approving mid-course corrections for each of the natural gas utilities due to "drastic increases" in the price of natural gas, effective the date of the Commission's vote.

ratepayers. Moreover, when the magnitude of the adjustment is significant, the Commission has also recognized the value of an expeditious implementation date. Cf. Order No. PSC-97-0021-FOF-EI, issued in Docket No. 970001-EI, on January 6, 1997, at p. 3. In addition, market conditions indicate that natural gas prices will not experience any meaningful decrease in the coming months given the demand anticipated during the upcoming months. Thus, the requested treatment and proposed effective date set forth herein are warranted given the magnitude of the projected underrecovery and will avoid burdening customers with an unduly large, accumulated true-up in 2009.

10. Historically, the Commission has not mandated prior notice be provided to customers before the effective date of a mid-course change to the PGA cap for a gas company, nor has it defined a notice period for such mid-course corrections.² FCG recognizes, however, that the current economic environment may warrant a change to the historical approach to a notice period prior to the effective date of a PGA cap correction.³ Therefore, FCG has proactively taken steps to provide notice of this request with its August billings, and commits to providing further notice to its customers of the Commission's final decision. A copy of the notice to be issued with the August billings has been provided to Commission staff.

² While this treatment differs from the 30-day notice period that has been applied in the context of mid-course corrections to the fuel cost recovery factor for electric utilities, the difference is attributable to the fact that a mid-course correction in the purchased gas context applies to the modification of a cap, rather than a set factor, and gas companies are allowed to flex the actual charged PGA rate anywhere beneath the approved cap. Moreover, even in the electric utility fuel proceeding context, in Order No. PSC-01-0710-PCO-EI, the Commission approved an abbreviated notice period for FPC (n/k/a Progress) for similar reasons, recognizing that the 30-day notice period applied to mid-course corrections made to the Fuel Cost Recovery factor for electric utilities is a requirement without historical precedent prior to 2000 and that an expedited implementation date would mitigate monthly billing impact to customers.

³ FCG fully appreciates the importance of ensuring that customers remain fully informed with regard to factors that may impact their rates, and consequently, their usage. To that end, FCG has voluntarily committed to providing notice to its customers explaining the basis for the increase in the PGA cap in the context of past mid-course correction requests. See Order No. PSC-05-1148-PCO-GU, issued in Docket No. 050003-GU. Likewise, FCG makes the same commitment regarding this request.

11. FCG emphasizes that it is imperative that the increased cap be approved for application to ratepayers' bills beginning September 1, because of the need to reduce the projected underrecovery of expenses as expeditiously as possible. This will modulate the impact of the increased gas costs on consumers in 2008, and will reduce the likelihood of significant rate shock for consumers in 2009.⁴

WHEREFORE, Florida City Gas respectfully requests that the Commission enter an Order approving Florida City Gas' requested increase to its maximum PGA cap rate with an effective date of September 1, 2008.

RESPECTFULLY SUBMITTED this 21st day of July, 2008.

/s/ Beth Keating

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⁴FCG had contemplated bringing this request slightly earlier in the month, but recognized a favorable pricing trend in the market and temporarily delayed its filing. As a direct result, the company now seeks relief for a more limited underrecovery than had been originally anticipated.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas's Petition for Approval of Mid-Course Correction in PGA Cap in Docket No. 080003-GU has been furnished by regular U.S. Mail to the following parties of record this 21st day of July 2008:

Florida Public Utilities Company Mehrdad Khojasteh P.O. Box 3395 West Palm Beach, FL 33402-3395	MacFarlane Ferguson Law Firm Ansley Watson, Jr. P.O. Box 1531 Tampa, FL 33601-1531
Messer Law Firm Norman H. Horton, Jr. P.O. Box 15579 Tallahassee, FL 32317	Office of Public Counsel J.R. Kelly/Patricia Christensen/S.Burgess c/o The Florida Legislature 111 West Madison Street Room 812 Tallahassee, FL 32399-1400
People Gas System Paula Brown P.O. Box 111 Tampa, FL 33601-0111	St. Joe Natural Gas Company, Inc. Mr. Stuart L. Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549
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