



# Public Service Commission

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## -M-E-M-O-R-A-N-D-U-M-

RECORDS AND REPORTING

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**DATE:** JUNE 18, 1998

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

**FROM:** DIVISION OF ELECTRIC AND GAS (BROWN, MAKIN, LOWERY, BULECZA-BANKS) *WFO*  
DIVISION OF LEGAL SERVICES (PAUGH) *RVE For*

**RE:** DOCKET NO. 980599-GU - 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.

**AGENDA:** 06/30/98 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 06/30/98

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\EAG\WP\980599.RCM

### CASE BACKGROUND

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.

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**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve FPUC's petition for closure of Interruptible Service (IS), Large Volume Interruptible Service (LVIS), Interruptible Transportation Service (ITS), and Large Volume Interruptible Transportation Service (LVITS) Rate Schedules?

**RECOMMENDATION:** Yes. The Commission should approve FPUC's petition to close the IS, LVIS, ITS, and LVITS rate schedules. (Bulecza-Banks, Brown, Lowery, Makin)

**STAFF ANALYSIS:** FPUC currently 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 is 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. (These 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, 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 these 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 service.

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 claim that the current total interruptible load is more than adequate to handle distribution and pipeline system interruptions, appears reasonable.

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.

Accordingly, Staff recommends the Commission approve FPUC's petition for closure of its IS, LVIS, ITS, and LVITS rate schedules.

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**ISSUE 2:** If approved, when should the new tariff changes become effective?

**RECOMMENDATION:** The effective date of the tariff changes should be the date of the Commission vote approving the new changes to the tariff. (Bulecza-Banks, Brown, Lowery, Makin)

**STAFF ANALYSIS:** FPUC has requested that the tariff changes become effective at the time of the Commission vote. The Staff concurs with the requested effective date. Therefore, Staff recommends that the tariff be effective on the date of the Commission vote.

**ISSUE 3:** Should the docket be closed?

**RECOMMENDATION:** Yes. If no person, whose substantial interests are affected by the Commission's order in this docket timely files a protest within 21 days of the issuance of the order, this docket should be closed. If a protest is timely filed, the tariff should remain in effect with any revenue increase held subject to refund, pending resolution of the protest. (Paugh)

**STAFF ANALYSIS:** If no person, whose substantial interests are affected by the Commission's order in this docket timely files a protest within 21 days of the issuance of the order, this docket should be closed. If a protest is timely filed, the tariff should remain in effect with any revenue increase held subject to refund, pending resolution of the protest.