

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Purchased gas adjustment (PGA) true-up. | DOCKET NO. 050003-GU
ORDER NO. PSC-05-1148-PCO-GU
ISSUED: November 16, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR
ISILIO ARRIAGA

ORDER APPROVING MID-COURSE CORRECTION

BY THE COMMISSION:

BACKGROUND

The Commission has adopted a method for recovery of purchased gas costs by regulated natural gas utilities by means of a levelized Purchased Gas Adjustment (PGA) factor to serve as a cap, or maximum recovery factor, for each calendar year commencing January 1 through December 31. The Commission has also adopted a method by which a utility may, at its option, request a mid-course correction if revised projected expenses for the remainder of the period significantly exceed projected revenues as calculated under the Commission approved cap.¹ The Commission has previously approved mid-course corrections to the PGA cap for several utilities when the amount of projected under recovery was substantial.²

¹ See, Order No. PSC-93-0708-FOF-GU, issued May 10, 1993, in Docket No. 930003-GU, In Re: Notice of Proposed Agency Action Order Establishing Annual Purchased Gas Cost Recovery Hearing.

² See, Order No. PSC-00-1910-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Chesapeake Utilities Corporation Mid-Course Correction, Order No. PSC-00-1422-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up City Gas Company of Florida Mid-Course Correction, Order No. PSC-00-2137-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Florida Public Utilities Mid-Course Correction, Order No. PSC-00-1524-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Peoples Gas System Mid Course Correction, Order No. PSC-00-1909-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Indiantown Gas Company Mid Course Correction, Order No. PSC-00-2138-PCO-GU issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up St. Joe Natural Gas Company Mid-Course Correction.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

By Order No. PSC-04-1182-FOF-GU, issued December 1, 2004, we approved a PGA factor for each investor-owned natural gas utility for calendar year 2005. Thereafter, on October 4, 2005, we approved mid-course corrections for Peoples Gas System and Florida Public Utilities Company, and on October 10, 2005, Florida City Gas (Florida City Gas or company) also filed a petition to increase its current PGA cap from \$0.94952 to \$1.64027 per therm, due to increasing natural gas prices. We have jurisdiction under Sections 366.04, 366.05, and 366.06, Florida Statutes. As explained in detail below, we approve Florida City Gas' proposed PGA cap of \$1.64027 per therm, effective for all meter readings taken on or after November 1, 2005. The new cap shall remain in effect through December 31, 2005. The company has indicated that it will include a statement on its customers' bills that explains the change in the PGA cap because of increasing natural gas prices resulting from weak natural gas supply production and the effects of catastrophic hurricanes this Summer.

DECISION

Order No. PSC-04-1182-FOF-GU established Florida City Gas' existing PGA cap for the period January 1, 2005 through December 31, 2005 of \$0.94952 per therm. The factor was derived by dividing projected purchased gas costs of \$23,790,486 by projected therm sales of \$23,325,677, minus true-up and adjusted for taxes for the 2005 recovery period. At present Florida City Gas projects that it will have an under recovery of \$6,089,547 for the current recovery period. The proposed increase in the PGA cap to \$1.64027 per therm for November 1, 2005 through December 31, 2005, will not eliminate the full amount of the projected under recovery, but it will reduce the amount of gas costs to be included in the projected January 2006 through December 2006 recovery period. Increasing the PGA cap from \$0.94952 to \$1.64027 per therm for the remainder of this recovery period will result in an increase of \$13.82 per month for residential customers using 20 therms if actual natural gas costs require the company to increase its PGA to the proposed new cap.

Florida City Gas' purchased gas costs have increased because the price of natural gas has increased substantially during recent months. Since we approved Florida City Gas' PGA cap in December 2004, several circumstances have combined to create an extraordinary environment for natural gas prices. High oil prices and weak natural gas supply production have contributed significantly to an unprecedented increase in natural gas costs on a national basis. Catastrophic hurricanes this Summer have exacerbated supply production problems in the Gulf of Mexico. The full scope of the hurricane damage and the effect on natural gas prices may not be known for some time. In addition, the gas market has depended heavily on natural gas storage inventories to replace interrupted supplies this Summer. The storage inventories are traditionally reserved for winter peaking demand. Over the next several weeks the market will attempt to replenish those inventories, thus putting further pressure on natural gas prices.


In light of these circumstances, we approve the requested mid-course correction to become effective with all meter readings taken on or after November 1, 2005, and to remain in effect through December 31, 2005. The company has agreed to include a statement on its customers' bills explaining the reasons for the change in the PGA cap.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of a mid-course correction in its purchased gas adjustment cap by Florida City Gas is granted, effective November 1, 2005. It is further

ORDERED that this docket shall remain open for further proceedings.

By ORDER of the Florida Public Service Commission this 16th day of November, 2005.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

MCB

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case

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of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.