

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In Re: Notice of Change of) | DOCKET NO. 910220-GU |
| Ownership of assets of Miller Gas)) | ORDER NO. 24704 |
| Company by City Gas Company of) | ISSUED: 6/24/91 |
| Florida.) | |
| _____) | |

The following Commissioners participated in the disposition of this matter:

THOMAS M. REARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

ORDER APPROVING CONSOLIDATION OF RATES

BY THE COMMISSION:

On February 19, 1991, City Gas Company of Florida (City Gas) acquired all the natural gas assets of Miller Gas Company (Miller Gas) and assumed the obligation to serve all customers in the territory then served by Miller Gas. On February 25, 1991, City Gas petitioned for authority to apply the rates, rules, classification and regulations recently approved for City Gas in Docket No. 891175-GU (Order No. 24013, dated January 23, 1991) in lieu of the rates being charge under Miller Gas' current tariff.

At the April 2, 1991 Agenda Conference, we approved City Gas' proposal with the caveat that the new rates would be applied on an interim basis, with final action to be taken after a hearing if one was held, or a later agenda after more detailed analysis had been completed. No hearing was requested. A service hearing was held on May 16, 1991. One customer attended, Mr. Robert C. Ready of Miami Dade Water and Sewer Authority. (WASA)

It appears that City Gas has proposed a reasonable solution to a unique problem. Miller Gas' service territory was completely contained within City Gas' service territory. It was a small island within the larger utility. City Gas has physically interconnected the two systems and now has customers located side-by-side or across the street from one another, who receive gas through the same pipes, but are billed at different rates. City Gas is therefore required to maintain two separate billing systems at considerable expense.

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If former Miller Gas customers are switched to City Gas' rates the difference between the base rate portion of residential and commercial customers' bills will be inconsequential; slightly more than a 1% increase for residential customers and slightly less than a 5% decrease for commercial customers. The total revenue increase from residential customers will be almost exactly offset by the decrease from commercial customers. No residential or commercial customers appeared at the May 16 service hearing in the former Miller Gas service territory.

Residential customers will see a \$0.27 increase in an approximately \$20.00 monthly bill. Miller and City residential customer charges are the same, \$6.00 per month. City's energy charge is \$.3524 per therm; Miller's was \$.3416. Applying those rates to average residential usage, 25 therms per month, yields the increase of twenty-seven cents. The weighted average cost of gas (WACOG) will be the same because the two systems are physically interconnected and will be billed at City's WACOG. Former Miller customers now see an ECCR charge, which they did not have under Miller, but they are also eligible to participate in conservation programs, which Miller did not have.

Commercial customers will see a slight reduction - \$17.52 on an average monthly bill of \$370 (800 therms). This will be tempered by an ECCR charge of \$12.15, which they did not have under Miller Gas. But, they too, are eligible for City's conservation programs. Their decrease, disregarding the ECCR, is less than five percent. Including the ECCR charge, their bill will decrease less than 1.5%.

The options here seem to be three. First, City Gas could simply adopt Miller Gas' previous rates and tariffs. Second, City could be authorized to apply its own rates to Miller's previous customers, resulting in approximately \$72,000 additional revenue. Third, City Gas could be required to file MFRs for a reverse make whole proceeding.

We see little advantage to the third option. In its last rate case (Docket 891175-GU), City Gas was authorized recovery of \$355,297 in rate case expense. Similar or higher expense could be anticipated if the Company were required to file MFRs in this matter. This would increase everyone's rates.

Choosing between the first and second options requires us to decide whether to grant an increase of about \$72,000 in revenues. In City's rate case in Docket 891175-GU, total base rate revenues for the projected test year ended September 30, 1991 were estimated

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to be \$21,499,714. The \$72,000 increase is about three tenths of one percent, which is not substantial. Because the revenue increase from residential customers and the decrease from commercial customers almost exactly offset each other, the \$72,000 increase comes almost totally from the increase in the rate to the Large Interruptible rate class.

The earned return from City Gas' Large Interruptible class is projected to be below parity. Schedule G of Attachment 6 of Order No. 24103, approving final rates in Docket 891175-GU, showed a projected return from the Large Interruptible class of .080456 compared to .0947 overall, so an increase to the rate class appears to be justified.

The record in this docket reflects that WASA, the single large interruptible customer, does not oppose the proposed increase, but has asked for a delay in the effective date until February 1, 1991. WASA, which is itself a public utility, has asked for the additional time, so that the increased rate will coincide with the next opportunity WASA has to change the rates to its customers. Subject to our approval City Gas has agreed to delay the effective date of the rate increase to WASA until February 1, 1992. In addition, City Gas has agreed to refund through the purchased gas adjustment clause the differential between City's and Miller Gas Company's rates for residential customers, for the first year the rates are in effect.

It is therefore,

ORDERED by the Florida Public Service Commission that City Gas Company of Florida is hereby authorized to apply the rates, classifications and regulations approved for City Gas Company in Docket No. 891175-GU, to its customers who were formerly served by Miller Gas Company. It is further

ORDERED that City Gas Company of Florida shall refund through the purchased gas adjustment clause the differential between City Gas Company's and Miller Gas Company's residential rates for a period of one year after the rates became effective. At the expiration of the one year period City Gas Company of Florida shall submit a refund report the Commission's Division of Electric and Gas. It is further

ORDERED that City Gas Company of Florida shall delay the effective date of the rate change to the large interruptible rate class, which consists of the Miami Dade Water and Sewer Authority, until February 1, 1992. It is further

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ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this
24th day of JUNE, 1991.

STEVE TRIBBLE, Director
 Division of Records and Reporting

by: Kay Feign
 Chief, Bureau of Records

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 15, 1991.

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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 sewer 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.