

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

MEMORANDUM

February 14, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, FULFORD) *APBB PET*
DIVISION OF LEGAL SERVICES (ERSTLING) *Amj*

RE: DOCKET NO. 960003-GU - PEOPLES GAS SYSTEM, INC. -
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP

AGENDA: FEBRUARY 20, 1996 - REGULAR AGENDA - PROPOSED AGENCY
ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\PEOPLES.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Peoples Gas System, Inc's (Peoples) petition for an increase in its PGA cap from 32.844 cents per therm to 38.469 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the proposed PGA cap of 38.469 cents per therm for meter readings taken on and after February 20, 1996, through March 31, 1996 billing cycles.

STAFF ANALYSIS: On February 12, 1996, Peoples filed a petition for expedited relief, (mid-course correction) to its currently authorized purchased gas adjustment cap for the period February 20, 1996 through March 31, 1996.

Peoples existing PGA factor of 32.844 cents per therm (for the period April 1995 through March 1996) was based on projected purchased gas costs of \$110,901,615 divided by projected therm sales of 337,875,002.

Peoples currently projects to have an underrecovery of \$10,838,814. The proposed increase in the PGA cap for February 20, 1996 through March 31, 1996 will not eliminate the full amount of the projected underrecovery. The underrecovery will, however, be reduced to approximately \$8,139,187 which will be included in the projected April 1997 through March 1998 period.

DOCUMENT NUMBER-DATE

01811 FEB 15 96

FPSC-RECORDS/REPORTING

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Unusually cold winter weather has significantly increased the demand for gas, causing an unanticipated increase in cost. Increasing the PGA cap from 32.844 to 38.469 cents per therm during the period February 20, 1996 through March 1996, will cause a \$1.68 increase for residential customers using 30 therms.

Staff recognizes there will not be time to conduct a prudence review of Company's re-projections of purchased gas costs prior to the implementation of the increase in the PGA factor. However, a prudence review will occur as a matter of course during the hearing to be held in Docket No. 970003-GU in February 1997. If the increase in the cost recovery cap is ultimately found imprudent, Peoples' 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.