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LAW OFFICES
MESSER, CAPARELLO, METZ, MAIDA & SELF
A PROFESSIONAL ASSOCIATION

215 SOUTH MONROE STREET, SUITE 701
POST OFFICE BOX 1876
TALLAHASSEE, FLORIDA 32302-1876
TELEPHONE: (904) 222-0720
TELECOPIERS: (904) 224-4359; (904) 425-1942

December 5, 1996

Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

BY HAND DELIVERY

Re: Docket No. **960003-GU**

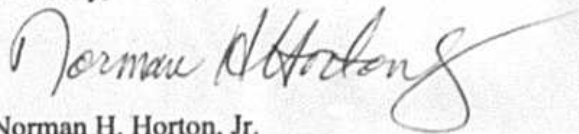
Dear Ms. Bayo:

Enclosed are an original and fifteen copies of West Florida Natural Gas Company's Petition for Approval of Mid-Course Correction to Approved PGA Factors with accompany schedules E1, E-2 and E-3 in the above-referenced docket.

Please indicate receipt of this document by stamping the enclosed extra copy of this letter.

Thank you for your assistance in this matter.

Sincerely,



Norman H. Horton, Jr.

- ACK _____
- AFA 2
- APP _____
- CAF _____
- CMU _____ NHH/amb
- CTR _____ Enclosures
- cc; Mr. Jeff Householder
- EAG Mehner Parties of Record
- LEG 1
- LIN 3
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE
12976 DEC-5 96
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment)
Cost Recovery)
_____)

Docket No. 960003-GU
Filed: December 5, 1996

**PETITION OF WEST FLORIDA NATURAL GAS COMPANY
FOR APPROVAL OF MID-COURSE CORRECTION
TO APPROVED PGA FACTOR**

West Florida Natural Gas Company ("WFNG"), by its undersigned hereby files its petition for approval of a revision to its purchased gas adjustment ("PGA") factor to be applied to bills rendered for meter readings to be taken beginning January 1, 1997 through March 31, 1997, inclusive, and in support thereof says:

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

West Florida Natural Gas Company
Caller Box 1460
Panama City, FL 32402

2. The name and mailing address of the person authorized to receive notices and communications with respect to this petition are:

Norman H. Horton, Jr.
Messer, Caparello, Metz, Maida & Self, P.A.
Suit 701, First Florida Bank Building
P.O. Box 1876
Tallahassee, FL 32302-1876

3. By its Orders Nos. 24463 and 24463-A in this docket, the Commission adopted a method for the recovery of purchased gas costs to be used for the recovery of such costs. These orders provide for recovery of purchased gas costs through a levelized PGA factor with the levelized PGA factor as the cap, or maximum recovery factor. Order No. 24463 also provides that a utility

may request a mid-course correction if the projected expenses for the remaining period exceed projected revenues by approximately 10% for the six-month period.

4. By Order No. PSC-96-0323-FOF-GU issued March 5, 1996, the Commission approved a PGA factor for WFNG for the April 1996 - March 1997 period of 33.300 cents per therm. This factor was based on the utility's projected purchased gas costs for the twelve-month projection period. Thereafter by Order No. PSC-96-1197-FOF-GU issued September 23, 1996, the Commission approved a mid-course correction authorizing an increase in the PGA cap of 6.481 cents per therm for a new cap of 39.781 cents per therm.

5. The mid-course correction authorized by Order PSC-96-1197-FOF-GU was predicated on a projected underrecovery of \$1,745,272. This variance was due in large part to an unanticipated increase in the commodity cost of gas caused by various forces and resulting decrease in sales volume. In its Petition requesting the mid-course correction, WFNG stated that these prices are expected to continue throughout the current PGA cycle and they have.

6. WFNG continues to experience unanticipated increases in commodity prices. Natural gas commodity prices have escalated to exorbitant levels, both on the Term and Spot markets, and are projected to continue through the remainder of the current true-up period. The result of the continued increase is that the currently effective maximum PGA cap will not be sufficient to recover even the base commodity portion of gas supply costs.

7. Of additional affect on WFNG is that the price differential between natural gas and various alternative fuels has narrowed and the market for excess pipeline capacity has been virtually eliminated. In addition, WFNG has recently experienced cancellation of a capacity reservation contract by a major end user, creating an added unforeseen expense to be recovered in the PGA. The

anticipated continuation of commodity cost increases may well cause customers to move to more economical fuel sources, thus further contributing to the trend toward decreasing sales volumes.

8. As demonstrated by the attached revised schedules, expenses for the current true-up period are projected to be \$12,880,549. Revenues at the current approved PGA cap rate are projected to be \$11,622,320 resulting in a projected underrecovery of \$1,258,229 or 11% of expenses.

9. Due to the foregoing described circumstances, WFNG requests that the Commission approve an increase in its PGA factor from 39.781 cents per therm to 47.250 cents per therm, which is equal to the average cost of gas, including the true-up factor. WFNG requests that this increased PGA factor be approved for application to bills rendered for meter readings taken on and after January 1, 1997 and continue in effect until a new cap is approved by order of the Commission. Applying this increased PGA factor for the period December 1, 1996 through March 31, 1997 will allow WFNG to recover its projected gas costs during the remaining months in the PGA period and help reduce the impact on ratepayers during the twelve months beginning April, 1997.

10. Because of the need to reduce the projected underrecovery of expenses, it is necessary that the increased cap be approved for application to ratepayers' bills beginning January 1, 1996. This will require the Commission to deviate from its usual policy of making changes in rates and charges effective 30 days after the Commission's vote approving the rate change. However, there is not sufficient time to hold a hearing on the changes prior to the Commission's consideration of the requested change. In addition, the Commission has previously approved a mid-course correction in this docket to become effective at an earlier date under similar circumstances when the amount of

the projected underrecovery was substantial. (Order No. PSC-94-0207-FOF-GU issued February 21, 1994).

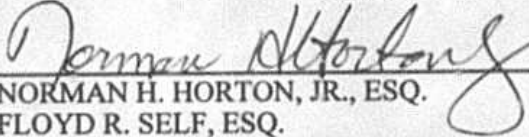
11. WFNG also recognizes there will not be time to conduct a prudence review of the Company's pre-projections of purchased gas costs prior to the implementation of the increase in the PGA factor sought by this petition. However, pursuant to the procedures in this docket, such prudence review will occur as a matter of course at the hearing to be held in the docket in February, 1997. If the increase in the cost recovery cap is ultimately found imprudent, WFNG's ratepayers will suffer no harm, since any costs found imprudent will be disallowed for recovery and flow back to the ratepayers through the true-up mechanism inherent in the calculation of the PGA factor for the subsequent period.

WHEREFORE, West Florida Natural Gas Company petitions the Commission to approve its proposed increase in its PGA factor from 39.781 cents per therm to 47.250 cents per therm to be applied to customer bills rendered for meter readings taken on or after January 1, 1997 through March 31, 1997.

DATED this 5th day of December, 1996.

Respectfully submitted,

MESSER, CAPARELLO, METZ,
MAIDA & SELF, P.A.
Post Office Box 1876
Tallahassee, FL 32302-1876
(904) 222-0720


NORMAN H. HORTON, JR., ESQ.
FLOYD R. SELF, ESQ.

Attorneys for West Florida Natural Gas Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of West Florida Natural Gas Company's Petition for Approval of Mid-Course Correction to Approved PGA Factor together with accompanying schedules in Docket No. 960003-GU have been served by hand delivery (*) and/or U. S. Mail this 5th day of December, 1996 upon the following:

Sheila L. Erstling*
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd., Room 370
Tallahassee, FL 32399-0850

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302

Mr. Russell D. Chapman
Administrator, Support Services
Tampa Electric Co.
P.O. Box 111
Tampa, FL 33601-0111

Joseph A. McGlothlin, Esq.
McWhirter, Reeves, McGlothlin,
Davidson & Bakas, P.A.
117 S. Gadsden St
Tallahassee, FL 32301

Jack Shreve, Esq.
Public Counsel
Office of the Public Counsel
111 West Madison St., Rm 812
Tallahassee, FL 32301

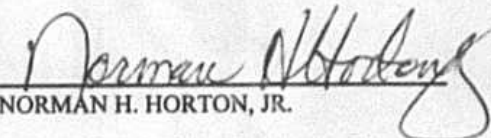
Wayne L. Schiefelbein, Esq.
Gatlin, Woods, Carlson
& Cowdery
1709-D Mahan Drive
Tallahassee, FL 32308

Ansley Watson, Jr., Esq.
MacFarlane, Ferguson, Allison
& Kelly
Post Office Box 1531
Tampa, FL 33601

John W. McWhirter, Esq.
McWhirter, Grandoff & Reeves
Post Office Box 3350
Tampa, FL 33601-3350

Kenneth A. Hoffman, Esq.
William B. Willingham, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, FL 32302-0551

Mr. Frank C. Cressman
President
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, FL 33402-3395


NORMAN H. HORTON, JR.

PURCHASED GAS ADJUSTMENT
COST RECOVERY CLAUSE CALCULATION

ORIGINAL ESTIMATE FOR THE PROJECTED PERIOD:

APRIL 98 Through MARCH 97

REVISED SECOND MID-COURSE CORRECTION

	ACTUAL							PROJECTION						
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	
COST OF GAS PURCHASED														
1 COMMODITY (Pipeline) Includes No Notice Commodity Adjustment	12610	9678	8837	10252	10608	10019	8763	16930	24029	37283	57219	58199	57219	
2 NO NOTICE RESERVATION	5205	3227	3123	3227	3227	3123	4303	7287	10757	10757	8801	8801	8722	
3 SWING SERVICE	64730	0	0	0	3058	0	53669	206168	222750	202500	178150	168000	167000	
4 COMMODITY (Other)	390241	393466	355834	388389	367719	314908	324145	687910	1375033	1489068	1248348	603990	610000	
5 DEMAND	330108	186990	165290	133506	151417	276217	189919	355364	367210	367210	363718	363718	353210	
6 OTHER	-3995	162	-1683	-1030	-2288	-1030	-2855	0	0	0	0	0	0	
LESS END-USE CONTRACT														
7 COMMODITY (Pipeline)	0	0	0	0	0	0	0	0	0	0	0	0	0	
8 DEMAND	0	0	0	0	0	0	0	0	0	0	0	0	0	
9	0	0	0	0	0	0	0	0	0	0	0	0	0	
10	0	0	0	0	0	0	0	0	0	0	0	0	0	
11 TOTAL COST (1+2+3+4+5+6)-(7+8+9+10)	788899	593521	531391	534324	533742	603238	578945	1273659	1999779	2119818	1812928	1599210	1589200	
12 NET UNBILLED	0	0	0	0	0	0	0	0	0	0	0	0	0	
13 COMPANY USE	392	633	578	683	689	711	604	0	0	0	0	0	0	
14 THERM SALES REVENUES	876136	528282	454286	535672	531117	573142	581400	1235842	1940403	2052996	1759098	1599000	1589000	
THERMS PURCHASED														
15 COMMODITY (Pipeline) Billing Determinants Only	1,946,440	1,464,460	1,347,410	1,539,830	1,586,550	1,502,920	1,786,380	2,351,383	3,087,371	3,346,962	2,779,391	1,920,000	1,920,000	
16 NO NOTICE RESERVATION Billing Determinants Only	750,000	465,000	450,000	465,000	465,000	450,000	620,000	1,050,000	1,550,000	1,550,000	880,000	880,000	870,000	
17 SWING SERVICE Commodity	254,200	0	0	0	17,050	0	0	535,500	550,000	500,000	490,000	380,000	370,000	
18 COMMODITY (Other) Commodity	1,771,551	1,727,849	1,506,174	1,475,342	1,652,789	1,570,767	1,684,592	2,666,318	3,716,206	3,994,800	3,459,300	2,810,000	2,810,000	
19 DEMAND Billing Determinants Only	3,912,100	2,141,370	3,589,200	3,073,340	1,457,000	3,303,500	1,837,000	5,818,000	6,413,600	6,413,600	5,511,600	4,699,600	4,699,600	
20 OTHER Commodity	0	0	0	0	0	0	0	0	0	0	0	0	0	
LESS END-USE CONTRACT														
21 COMMODITY (Pipeline)	0	0	0	0	0	0	0	0	0	0	0	0	0	
22 DEMAND	0	0	0	0	0	0	0	0	0	0	0	0	0	
23	0	0	0	0	0	0	0	0	0	0	0	0	0	
24 TOTAL PURCHASES (1+17+18+20)-(21+22+23)	2023791	1727649	1506174	1475342	1668839	1570767	1684592	3201818	4288306	4494960	3889300	3280000	3280000	
25 NET UNBILLED	0	0	0	0	0	0	0	0	0	0	0	0	0	
26 COMPANY USE	1183	1972	0	2058	2078	1794	1524	0	0	0	0	0	0	
27 TOTAL THERM SALES (24-26)	2844302	1563849	1389724	1473284	1667761	1568973	1440554	3106751	4139633	4361440	3779301	3280000	3280000	
CENTS PER THERM														
28 COMMODITY (Pipeline) (1/15)	0.00648	0.00661	0.00656	0.00666	0.00669	0.00667	0.00547	0.00720	0.00778	0.01113	0.01190	0.01190	0.01190	
29 NO NOTICE RESERVATION (2/16)	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	0.00694	
30 SWING SERVICE (3/17)	0.25464	#DIV/0!	#DIV/0!	#DIV/0!	0.17935	#DIV/0!	#DIV/0!	0.38500	0.40500	0.40500	0.40500	0.38000	0.37000	
31 COMMODITY (Other) (4/18)	0.22028	0.22772	0.23625	0.26324	0.22248	0.20048	0.19242	0.25800	0.37000	0.37500	0.38000	0.32000	0.32000	
32 DEMAND (5/19)	0.08438	0.08732	0.04605	0.04344	0.10392	0.08361	0.10339	0.06108	0.05725	0.05725	0.05419	0.05108	0.05108	
33 OTHER (6/20)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
LESS END-USE CONTRACT														
34 COMMODITY Pipeline (7/21)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
35 DEMAND (8/22)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
36	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
37 TOTAL COST OF PURCHASES (11/24)	0.39437	0.34350	0.35281	0.36217	0.31984	0.38404	0.34367	0.39779	0.46874	0.47072	0.46613	0.43888	0.43888	
38 NET UNBILLED (12/25)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
39 COMPANY USE (13/26)	0	0	#DIV/0!	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
40 TOTAL COST OF THERMS SOLD (11/27)	0.39212	0.37953	0.38795	0.36268	0.32004	0.38448	0.40189	0.40996	0.48308	0.48512	0.48040	0.45788	0.45788	
41 TRUE-UP (E-2)	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	-0.00888	
42 TOTAL COST OF GAS (40+41)	0.29324	0.37065	0.37907	0.35380	0.31116	0.37560	0.39301	0.40108	0.47420	0.47624	0.47152	0.44900	0.44900	
43 REVENUE TAX FACTOR	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	1.00376	
44 PGA FACTOR ADJUSTED FOR TAXES (42x43)	0.29434	0.37204	0.38050	0.35513	0.31233	0.37701	0.39449	0.40259	0.47598	0.47803	0.47328	0.45031	0.45031	
45 PGA FACTOR ROUNDED TO NEAREST .001	0.294	0.372	0.381	0.355	0.312	0.377	0.394	0.403	0.476	0.478	0.473	0.450	0.450	

Average Cost of Gas December thru March =

0.450