

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

January 23, 1997

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, FULFORD) *QW/0118*
DIVISION OF LEGAL SERVICES (ELLIAS) *RUE* *JDJ*

RE: DOCKET NO. 970003-GU - FLORIDA PUBLIC UTILITIES COMPANY
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP

AGENDA: 02/04/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970003 Rem
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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Florida Public Utilities Company's (FPUC) petition to increase its PGA cap from 38.519 cents per therm to 66.333 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the proposed PGA cap of 66.333 cents per therm for meter readings taken on and after February 1, 1997, through March 31, 1997 billing cycles.

STAFF ANALYSIS: On January 8, 1997, FPUC filed a petition for expedited relief, (mid-course correction) to its currently authorized purchased gas adjustment cap for the period February 1, 1997 through March 31, 1997.

FPUC's existing PGA factor of 38.519 cents per therm (for the period April, 1996 through March, 1997) was based on projected purchased gas costs of \$16,493,704 divided by projected therm sales of 42,819,657.

FPUC currently projects to have an underrecovery of \$2,838,110. The proposed increase in the PGA cap of 27.814 cents per therm for February 1, 1997 through March 31, 1997 will increase a typical residential customer's bill by \$8.34, and help reduce the impact on ratepayers during the twelve months beginning April, 1997.

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FPSC-RECORDS/REPORTING

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FPUC continues to experience unanticipated increases in the commodity cost of gas. Natural gas commodity prices have escalated primarily due to colder than normal weather. The Mercantile Exchange forecast pushed natural gas deliveries for January 97 up by 16 percent to a \$4.467 per 1,000 cubic feet (44.67 cents per therm), its highest price since the Mercantile Exchange started trading the commodity in 1990, 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 PGA cap will not be sufficient to recover the base commodity portion of gas supply costs.

Staff recognizes there will not be time to conduct a prudence review of the 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 next available PGA audit/hearing. If the increase in the cost recovery cap is ultimately found imprudent, FPUC's ratepayers will suffer no harm since all costs found imprudent will be disallowed for recovery and will flow back to the affected ratepayers through the true-up mechanism.

ISSUE 2: Should this Docket be closed?

RECOMMENDATION: No. The Purchased Gas Adjustment Clause docket should remain open. If Issue 1 is approved, the tariff should become effective with customer billings on and after February 1, 1997.

STAFF ANALYSIS: The Purchased Gas Adjustment Clause is an ongoing clause and the docket should remain open. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest.