

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment) DOCKET NO. 970003-GU
(PGA) True-Up.) ORDER NO. PSC-97-0089-FOF-GU
_____) ISSUED: January 27, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN PURCHASED GAS ADJUSTMENT CAP

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On December 5, 1996, West Florida Natural Gas Company (West Florida) filed a petition for expedited relief (mid-course correction) to its currently authorized purchased gas adjustment cap for the period January 1, 1997, through March 31, 1997. West Florida requested that its PGA cap be increased from 39.781 cents per therm to 47.250 cents per therm.

West Florida's existing PGA factor of 39.781 cents per therm was approved in Order PSC-96-1197-FOF-GU, issued September 23, 1996, as a mid-course correction predicated on a projected underrecovery of \$1,745,272 for the period April, 1996, through March, 1997. Even with the recent mid-course correction, West Florida projects an underrecovery of \$1,258,229. The proposed increase in the PGA cap of 7.469 cents per therm for January 1, 1997, through March 31, 1997, will increase a typical residential customer's bill by \$2.24 and help reduce the impact on ratepayers during the twelve months beginning April, 1997.

West Florida experienced 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, 1997, up 16 percent to \$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. Cost increases are projected to

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continue through the remainder of the current true-up period. As a result of continued increases, the currently effective PGA cap will not be sufficient to recover the base commodity portion of gas supply costs.

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, West Florida recently experienced the cancellation of a capacity reservation contract by a major end user, creating an unforeseen expense to be recovered in the PGA.

We realize there will not be time to conduct a prudence review of the Company's re-projections of purchased gas costs prior to implementation of the proposed increase in the PGA factor. However, a prudence review will occur as a matter of course in this docket. If the increase in West Florida's cost recovery cap is ultimately found imprudent, its 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that West Florida Natural Gas Company's proposed increase in its purchased gas adjustment cap, from 39.781 cents per therm to 47.250 cents per therm, is approved for meter readings taken on and after January 1, 1997, through March 31, 1997, billing cycles. It is further

ORDERED that the tariff reflecting the increased PGA cap shall become effective with customer billings on and after January 1, 1997. It is further

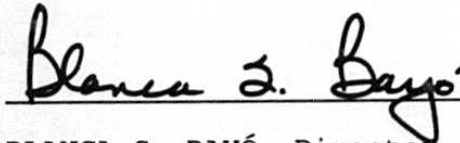
ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this Order shall become final and effective. It is further

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ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 27th
day of January, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 17, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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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 and effective on the date described above, any party substantially 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 wastewater 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 effective date of this order, 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.