

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public
Utilities Company for Approval of
Initial Transportation Cost Recovery
Factors.

Docket No. 010846-GU

AMENDED PETITION FOR APPROVAL OF INITIAL
TRANSPORTATION COST RECOVERY FACTORS

Florida Public Utilities Company (the Company), by and through its undersigned counsel, hereby petitions for approval of its initial transportation cost recovery factors, and in support hereof states as follows.

1. The name and address of the petitioner are:

Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, FL 33402-3395

2. The name, address, and telephone and/or fax numbers of the persons authorized to receive notices and communications with respect to this petition are:

George M. Bachman
CFO and Treasurer
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, FL 33402-3395
(561) 838-1731 (telephone)

Wayne L. Schiefelbein
P.O. Box 15856
Tallahassee, FL 32317-5856
(850) 671-1111 (telephone)
(850) 671-1222 (fax)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

3. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this petition in that the Company's ability to recover certain costs associated with its offering of unbundled gas transportation service will be thereby determined.
4. By Order No. PSC-00-0630-FOF-GU, issued on April 4, 2000, the Commission adopted Rule 25-7.0335, Florida Administrative Code, requiring each local distribution company to offer the transportation of natural gas to all non-residential customers, and, in order to meet that objective, to file a transportation service tariff with the Commission by July 1, 2000.
5. Prior to adoption of said rule, the Company provided transportation service under three rate schedules: Large Volume Transportation Service (LVTS), Interruptible Transportation Service (ITS), and Large Volume Interruptible Transportation Service (LVITS), with various transportation imbalance billing adjustments.
6. In accordance with said rule, on June 30, 2000, the Company filed its proposed transportation service tariff. The Company thereby proposed refinements to its existing LVTS, ITS and LVITS rate schedules, and an all-new General Service Transportation Service (GSTS) rate schedule, beginning August 1, 2001.
7. By Order No. PSC-01-0073-TRF-GU, issued on January 9, 2001, the Commission approved the Company's proposed transportation service tariff, effective August 1, 2001.
8. Under the Company's new transportation service tariffs, as approved by the Commission, participating customers select a Pool Manager that would be responsible for the purchasing and scheduling of natural gas for the customers' accounts. However, Rate Schedule LVITS and special contract customers are excluded from this requirement

because they are deemed large enough to purchase their own gas directly from suppliers.

9. In approving the Company's new transportation service tariffs, the Commission recognized that the Company would incur additional expenses in making transportation service available to all non-residential customers. The Commission therefore approved certain charges designed to recover incremental costs to be incurred by the Company in providing such unbundled transportation service. The Commission found that such charges are "designed to recover incremental cost incurred by the Company and should have no impact on the Company's earnings."
10. The Commission granted the Company the authority to "accrue expenses, including implementation expenses, associated with the offering of transportation services to all non-residential customers," and to recover those expenses through a Transportation Cost Recovery Clause applicable to all non-residential customers, excluding LVITS customers and special contract customers. (Original Tariff Sheet No. 35.7) The Commission directed that such start-up expenses would be recovered over a four-year period, with any over- or under-recovery trued-up at the end of the recovery period. The Commission further directed that the total period for collection of such expenses would not exceed five years from the tariffs' August 1, 2001 effective date. The Commission approved the Company's proposal to petition the Commission for recovery of those actual expenses at a future date.
11. The Company now projects that as of the August 1, 2001, effective date of its unbundled transportation service tariff, it incurred \$91,455.00 in expenses, including implementation expenses, associated with the offering of transportation services to all its non-residential customers. These expenses were posted to a deferred debit account pending collection of revenue from the Transportation Cost Recovery Clause surcharge. These expenses are

summarized on the attached Schedule B. The Company proposes to recover those expenses over a four-year period, with any over- or under-recovery trued-up at the end of the four-year period, in accordance with the approved tariff for its Transportation Cost Recovery Clause. The Company proposes the following initial cost recovery factors (cents per therm) under the Transportation Cost Recovery Clause:

General Service & General Transportation	0.078
Large Volume Service & Large Volume Transportation	0.052
Interruptible Service & Interruptible Transportation	0.025

The Company's derivation of these factors is shown on the attached Schedule A.

12. The proposed factors under the Transportation Cost Recovery Clause will not be applied to non-residential customers served under a special contract or the LVITS rate schedule. The Company has included, and will continue to include, the cost of providing transportation service within its Cost of Service studies for special contracts and the LVITS rate schedule.
13. In its approval of the Company's expanded transportation services tariffs earlier this year, the Commission also approved the Company's proposed Non-monitored Transportation Administration Charge ("NTAC"). As approved, the NTAC applies to all non-residential customers not subject to the Company's Transportation Administration Charge. Customers subject to the NTAC are not required by the Company to have electronic measurement equipment for the monitoring of their gas usage. The function of the NTAC is to allow the recovery of the Company's incremental expenses, beyond the expenses covered through the Transportation Cost Recovery Clause, on a going forward basis. As approved, the NTAC is to be billed

on a cents-per-therm basis applied to the customer's actual natural gas consumption. (Original Tariff Sheet No. 35.7) The tariff calls for the NTAC rate to be filed with Staff on an annual basis. In the January 2001 Order, the Commission approved the Company's proposal to petition the Commission for these expenses at a future date.

14. The Company now projects that in an initial period from August 1, 2001 through December 31, 2002, it will incur \$ 58,500.00 in going-forward expenses associated with making transportation service available to all non-residential customers. These expenses are summarized on the attached Schedule D. In accordance with its approved tariff, the Company proposes to recover those expenses for said period, on a cents-per-therm basis applied to the customer's actual consumption, with any over- or under-recovery tried up at the conclusion of said period. The Company proposes the following initial cost recovery factors (cents per therm) as the NTAC for an initial October 2001 through December 2002 recovery period:

General Service & General Transportation	0.203
Large Volume Service & Large Volume Transportation	0.135
Interruptible Service	0.061

The Company's derivation of these factors is shown on the attached Schedule C. The Company will seek recovery of such ongoing expenses in subsequent periods through separate petitions.

15. The proposed initial NTAC would not be applied to non-residential customers served under special contract, or larger transportation customers, which by tariff or contract are required to have Company-provided telemetry at their site(s) to provide real-time consumption data to the Company, and which are therefore subject to the Company's Transportation Administration Charge. The Company has

included, and will continue to include, the cost of providing transportation service within its Cost of Service studies for such customers.

16. The Company submits that the cost recovery factors proposed herein are fair, and reasonably designed to recover incremental expenses associated with the offering and provision of transportation services to all its non-residential customers. Such costs, estimated as necessary for the collection periods, are annualized and spread among the rate schedules using the same methodology as the natural gas conservation cost recovery clause. The Company used the annualized budget data for 2001 for the number of bills and therms and then spread the annualized costs to the different rate schedules based on weighted average base revenues. The Company believes that this approach provides a fair reflection of the mix that will exist over the respective initial collection periods for the Transportation Cost Recovery Clause and the Non-monitored Transportation Charge.
17. Submitted concurrently with the instant petition is a proposed revised tariff sheet (First Revised Sheet No. 35.7) which sets forth the proposed charges.
18. The Company requests that the Commission's approval of the proposed charges be made effective as of the date of its vote. In the event that any person files a valid objection to a tariff Order approving the charges, the Company requests that it be authorized to collect its proposed charges on a temporary basis subject to refund, to preserve the Company's ability to retain such revenue to the extent that the charges are sustained by subsequent Commission action.
19. The Company may petition the Commission for approval of recovery of other incremental expenses related to transportation service, through a methodology or methodologies to be determined in future proceedings.

WHEREFORE, Florida Public Utilities Company requests that the Commission approve the foregoing petition and the accompanying proposed revised tariff sheet, and grant the Company the authority to implement the initial cost recovery factors therein addressed, and that such approval be made effective on the date of the Commission's vote, so that in the event of any valid objection to the order approving the factors being filed, the Company would collect its proposed charges subject to refund pending the Commission's final disposition of the matter.

Respectfully submitted,

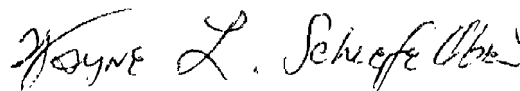


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(850) 671-1222 (fax)

Attorney for Florida Public
Utilities Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing amended petition has been hand-delivered to Rachael N. Isaac, Esq., Florida Public Service Commission, Division of Legal Services, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850, on this 13th day of August, 2001.



Wayne L. Schiefelbein

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS DIVISIONS
TRANSPORTATION COST RECOVERY CLAUSE
AUGUST 2001 THROUGH JULY 2005

1 INITIAL ANNUAL COST (SCHEDULE D, PAGE 1)	\$ 22,864
2 TRUE-UP	0
3. TOTAL (LINE 1 AND LINE 2)	\$ 22,864

RATE SCHEDULE		ANNUAL BILLS	ANNUAL THERMS	ANNUAL CUSTOMER CHARGE	ANNUAL NON-GAS ENERGY CHARGE	TOTAL CUST & ENGY CHG REVENUE	TCRC REVENUES	TCRC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GENERAL TRANSPORTATION	*11 *90	36,756	11,711,350	551,340	2,519,463	3,070,803	9,121	0.29702%	0.00078	1.00503	0.00078
LARGE VOL. SERVICE & LG. VOL. TRANSPORTATION	*51 *91 & *94	10,792	25,453,750	493,560	3,938,713	4,432,273	13,165	0.29702%	0.00052	1.00503	0.00052
INTERRUPTIBLE SERVICE & INTERUPT. TRANSPORTATION	*61 *92	168	2,333,510	40,320	154,292	194,612	578	0.29702%	0.00025	1.00503	0.00025
TOTAL		47,716	39,498,610	1,085,220	6,612,468	7,697,688	22,864				

SCHEDULE B
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**Florida Public Utilities Company, Natural Gas Divisions
Transportation Cost Recovery Clause
Applicable to Commercial Rate Schedule Customers**

<u>Category/Item</u>	<u>Amount</u>	<u>Total</u>
<u>PURCHASES & LEASES</u>		
Notebook Computers Lease	\$ 1,600.00	
Facsimile/Copier/Scanner	1,000.00	
Office Furniture	1,000.00	
Phone Equipment and Line Installation	<u>1,000.00</u>	\$ 4,600.00
 <u>FPU LABOR & TRAINING EXPENSE</u>		
Program Development	\$ 26,595.00	
Implementation	<u>36,760.00</u>	63,355.00
 <u>EXTERNAL LABOR</u>		
Brochure Printing & Mailing	\$ 5,000.00	
Website Development	1,000.00	
Legal Expense		
- FPSC Workshop Representation	10,400.00	
- Draft Tariff Review	5,700.00	
- Implementation Documents Review	400.00	16,500.00
Shipping	<u>1,000.00</u>	23,500.00
 ESTIMATED INITIAL COST		 \$ <u><u>91,455.00</u></u>
 Cost divided over 4 years		
ESTIMATED ANNUAL COST		 \$ <u><u>22,863.75</u></u>

SCHEDULE B
PAGE 2 OF 4

**Florida Public Utilities Company, Natural Gas Divisions
Transportation Cost Recovery Clause
Applicable to Commercial Rate Schedule Customers**

Transportation Cost Recovery Clause

Purchases & Leases

Notebook Computers Lease

Notebook computer equipment is necessary in order to gain mobility and still provide timely information to Customers and Pool Managers on a round the clock (24 hours per day) basis. Also see Implementation under FPUC Labor & Training Expense. This equipment is an essential part of Commercial Customer Choice ("Commercial Choice") implementation.

Facsimile/Copier/Scanner

High volume equipment is necessary in order to handle the incoming documentation from Customers and Pool Manager.

Office Furniture

Office furniture is necessary in order to provide organization of Commercial Customer Choice documentation (i.e. filing cabinets) and to provide organization for data acquisition systems expanded for Commercial Choice applications.

Phone Equipment and Line Installation

The telecommunications equipment needed to allow FPUC to manage anticipated increases in Customer Service Call volume related to Commercial Choice.

FPUC Labor & Training Expense

Program Development

Incremental personnel time and expense incurred by FPUC in developing and filing the tariffs in compliance with Rule 25.70335, F.A.C.

Implementation

Incremental personnel time and expense incurred by FPUC in developing software and documentation systems to provide service under Order No. PSC-01-0073-TRF-GU. FPUC developed systems needed to allow it to schedule, monitor, and control gas supply & interstate pipeline nominations for its customers in aggregate, individual transportation service customers, and Pool Managers. This is essential for providing transportation service while maintaining the operational integrity of FPUC's distribution system.

SCHEDULE B
PAGE 3 OF 4

**Florida Public Utilities Company, Natural Gas Divisions
Transportation Cost Recovery Clause
Applicable to Commercial Rate Schedule Customers**

Explanation of Incremental Labor Expense:

Prior to being required by the PSC to offer unbundled transportation services, the Company has typically utilized the Gas Supply Department to handle additional and peak workload from various departments to avoid adding staff and to avoid using temporary labor. The Company had these three (3) options upon being required to unbundle:

- 1) Purchase a transportation management system as indicated in the Company's July 15, 1999 response to the data / information request provided to Mr. Craig Hewitt of the Division of Research and Regulatory Review. The software cost, including implementation and modifications to relay data to the Company's customer information system was estimated to be \$1,600,000 prior to implementation of unbundling with an annual recurring cost estimated at \$155,000 for software maintenance.
- 2) Hire outside consultants to construct the necessary tariff changes, to design the unbundling program and procedures. Hire outside database programmers to construct the necessary databases to determine and track the intricacies of the capacity release determinations, the computations of the volumes to be scheduled by Pool Manager, etc. The estimated cost of such specialized consultants is approximately \$150 per hour.
- 3) Scaling back the original program so that the outside software listed in option number 2 and use FPU's Gas Supply staff to do the functions indicated in option number 2 while simultaneously hiring outside temporary labor to do the tasks which would have normally been deferred to the Gas Supply Department. The scaling back was possible through the development of the Pool Manager concept which evolved during discussion on the implementation of option number 1.

We selected option number 3 which was to use in-house labor at a cost which is significantly lower than what would have resulted by using option number 2. Using this option created a domino effect that caused us to hire temporary labor since the Gas Supply staff was not available to handle the extra tasks since they were fully allocated to work on unbundling.

Furthermore, option number 1 was eliminated since we could not reasonably estimate the number of customers who would elect to convert to unbundled services since their conversion is directly effected by the marketers' presence or lack thereof within FPU's territories.

SCHEDULE B
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**Florida Public Utilities Company, Natural Gas Divisions
Transportation Cost Recovery Clause
Applicable to Commercial Rate Schedule Customers**

We always prefer to use in-house staff to perform work as opposed to temporary labor since we find that using in-house staff requires less training time and our in-house staff is generally much more productive than the temporary labor.

FPU's Expenditures were as follows:

	<u>Year 2000</u>	<u>Year 2001</u> <u>(See Note)</u>
Gas Supply Labor related to unbundling	\$26,595.00	\$36,760.00
Temporary Labor resulting from the unavailability of Gas	\$31,929.57	\$59,243.65

Note: FPU's unbundling program was effective on August 1, 2001. The data for Year 2001 expenses contains actual data through June 2001. The data for July 2001 is estimated and included in the Year 2001 summarizes listed above.

External Labor

Brochure Printing & Mailing

An educational brochure was mailed to every commercial customer being served by FPUC. This brochure provided a return card for Customers to request an enrollment kit so that they may participate in the Commercial Customer Choice Program.

Website Development

A new website was developed solely to provide detailed information about the Commercial Customer Choice Program for both Customers and Pool Managers. This information includes FAQ's, Glossary of Terms, Proforma Tariff, List of Approved Pool Managers, Presentation on Operations for Pool Managers and operational forms for both Customers and Pool Managers.

Legal Expense

FPUC utilized the services of outside legal counsel to address regulatory and gas supply issues regarding our unbundling approach to satisfy Rule 25.70335, F.A.C.

Shipping

FPUC utilized the services of FedEx, U.S. Mail, and UPS to provide documents to the Commission in a timely manner to be in compliance with filing deadlines pursuant to Order No. PSC-00-630-FOF-GU.

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS DIVISIONS
NON-MONITORED TRANSPORTATION ADMIN. CHARGE
AUGUST 2001 THROUGH DECEMBER 2002

1. TOTAL ANNUAL COST (SCHEDULE B, PAGE 1)	\$ 58,500
2. TRUE-UP	0
3. TOTAL (LINE 1 AND LINE 2)	\$ 58,500

RATE SCHEDULE		ANNUAL BILLS	ANNUAL THERMS	ANNUAL CUSTOMER CHARGE	ANNUAL NON-GAS ENERGY CHARGE	TOTAL CUST. & ENGY CHG REVENUE	ANNUAL NTAC REVENUES	NTAC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GS TRANSPORTATION	*11 *90	36,756	11,711,350	551,340	2,519,463	3,070,803	23,596	0.76841%	0.00201	1.00503	0.00203
LARGE VOL. SERVICE & LG. VOL. TRANSPORTATION	*51 *91	10,792	25,453,750	493,560	3,938,713	4,432,273	34,058	0.76841%	0.00134	1.00503	0.00135
INTERRUPTIBLE SERVICE	*61	72	1,403,020	17,280	92,768	110,048	846	0.76841%	0.00060	1.00503	0.00061
TOTAL		47,620	38,568,120	1,062,180	6,550,944	7,613,124	58,500				

EXHIBIT NO. _____
 DOCKET NO. _____
 FLORIDA PUBLIC UTILITIES COMPANY
 (MS-1)
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SCHEDULE D
PAGE 1 OF 2

**Florida Public Utilities Company, Natural Gas Divisions
Non-Monitored Transportation Administration Charge
Applicable to Non-Monitored Commercial Rate Schedule Customers**

<u>Annual Incremental Expenditure</u>	<u>Amount</u>	<u>Total</u>
<u>LEASES</u>		
Notebook Computers Lease	\$ 6,000.00	
Voicemail Ports ACD Box	<u>3,000.00</u>	\$ 9,000.00
<u>FPU LABOR & TRAINING EXPENSE</u>		
Labor		
- Gas Supply Assistant (1)	43,500.00	43,500.00
<u>EXTERNAL LABOR</u>		
Legal Expense		
- Legal Representation/Review	\$ 5,000.00	
Advertising & Postage	<u>1,000.00</u>	6,000.00
Estimated Total		\$ <u><u>58,500.00</u></u>

SCHEDULE D
PAGE 2 OF 2

**Florida Public Utilities Company, Natural Gas Divisions
Non-Monitored Transportation Administration Charge
Applicable to Non-Monitored Commercial Rate Schedule Customers**

Non-Monitored Transportation Administration Charge

Purchases & Leases

Notebook Computers Lease

Notebook computer equipment is necessary in order to gain mobility and still provide timely information to Customers and Pool Managers on a round the clock (24 hours per day) basis. This is a continuation of the lease shown under Transportation Cost Recovery Clause.

Voicemail Ports ACD Box

The lease on telecommunications equipment needed to allow FPUC to manage anticipated increases in Customer Service Call volume related to Commercial Choice.

FPU Labor & Training Expense

Labor

Incremental personnel time and expense incurred by FPUC in operating, maintaining and upgrading software and documentation systems to provide service under Order No. PSC-01-0073-TRF-GU. We expect to hire a Gas Supply Assistant before October 1, 2001. The midpoint for this position including overheads is \$43,500 per year.

External Labor

Legal Expense

FPUC utilizes the services of outside legal counsel to address regulatory and gas supply issues which may result as a consequence of operating under the Commercial Customer Choice Program.

Advertising & Postage

FPUC will utilize a number of direct mail methods to insure that commercial Customers are provided information concerning availability and changes to Commercial Customer Choice Program.