

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

DATE: SEPTEMBER 25, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (MARSHALL, MAKIN, BULECZA-BANKS) (CRB) OFFICE OF THE GENERAL COUNSEL (BRUBAKER) *mm* *ASB* *Walt* *AK* *[Signature]*

RE: DOCKET NO. 030808-GU - PETITION FOR APPROVAL OF AMENDED AND RESTATED NATURAL GAS TRANSPORTATION SERVICE AGREEMENT BETWEEN INDIANTOWN COGENERATION, L.P. AND INDIANTOWN GAS COMPANY.

AGENDA: 10/7/03 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\030808.RCM

CASE BACKGROUND

On June 24, 2003, Indiantown Gas Company, Inc. (Indiantown or Company) and Indiantown Cogeneration, L.P. (ICL) entered into a Transportation Agreement under the Company's Natural Gas Tariff as approved by Commission Order No. PSC-02-1666-PAA-GU issued November 26, 2002, in Docket No. 020470-GU.

On August 13, 2003, Indiantown filed a petition for approval of an Amended and Restated Natural Gas Transportation Service Agreement with ICL. This recommendation addresses Indiantown's petition.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the Amended and Restated Natural Gas Transportation Service Agreement between Indiantown Cogeneration, L.P. and Indiantown Gas Company, Inc.?

RECOMMENDATION: Yes. The Commission should approve the Amended and Restated Natural Gas Transportation Service Agreement between Indiantown Cogeneration, L.P. and Indiantown Gas Company, Inc., effective the date of the Commission vote in this matter. (MARSHALL, MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: On August 13, 2003, Indiantown filed a petition for approval of Amended and Restated Natural Gas Transportation Service Agreement (the "Amended Agreement") with ICL pursuant to Rules 28-106.201 and 25-9.034, Florida Administrative Code. The Amended Agreement will have no effect on revenue because ICL will be billed at the rates applicable to its class of service (Rate Schedule TS-4) determined by its usage level in accordance with the Natural Gas Tariff.

ICL has been and continues to be Indiantown's largest customer, in terms of throughput and total system demand. Nearly half of the total throughput in 2002 was attributed to ICL. On August 21, 1992, ICL and Indiantown entered into an agreement where ICL would purchase natural gas from Indiantown. However, by Order No. PSC-02-1655-TRF-GU, issued on November 26, 2002, in Docket No. 020471-GU, the Commission authorized Indiantown to convert ICL from sales service (where Indiantown purchases ICL's gas supply) to transportation service (where ICL purchases its gas supply from a third party).

On June 24, 2003, Indiantown and ICL agreed to enter into an amendment and restatement of the 1992 agreement. ICL has particular and specific needs for ensuring the long-term availability of natural gas service to support the operation of its cogeneration power plant. Under the Company's Natural Gas Tariff, ICL will now obtain transportation service from Indiantown and will purchase natural gas from a third party supplier. The Amended Agreement provides specific procedures for the handling of scheduling and balancing of deliveries of natural gas transported by Indiantown. Issues addressed in the Amended Agreement include: design, construction, maintenance, operation, protection of the interconnection facilities; measurement and testing of gas;

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billing; and dispute resolution related to billing. The Amended Agreement will have no effect on revenue because ICL will be billed at the transportation rates set forth in accordance with the Company's Natural Gas Tariff.

Given the foregoing circumstances, staff believes that it is reasonable to approve the Amended Agreement between Indiantown and ICL. The Commission should approve the Amended Agreement, effective the date of the Commission vote in this matter.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this Docket should be closed upon the issuance of a Consummating Order. (BRUBAKER)

STAFF ANALYSIS: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this Docket should be closed upon the issuance of a Consummating Order.