

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Notice of Change of)	DOCKET NO. 910220-GU
Ownership of Assets of Miller)	ORDER NO. 24438
Gas Company by City Gas Company)	ISSUED: 4/25/91
of Florida.)	
)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL McK. WILSON

ORDER SETTING INTERIM RATES

BY THE COMMISSION:

On February 19, 1991, City Gas acquired all of the natural gas assets of Miller Gas Company and assumed the obligation to serve all customers in the territory then served by Miller Gas. As a result of the asset purchase, Miller Gas as an entity, no longer exists. In addition, City Gas acquired the assets of Consolidated Gas Company of Florida, Inc. Consolidated operated an underground LP system in Dade County. City Gas intends to convert this underground system to natural gas.

Miller Gas previously served approximately 4,434 residential customers, 75 commercial customers, and one large interruptible customer. Miller Gas generated approximately \$713,000 of base rate revenue annually. City Gas, Florida's second largest natural gas utility serves approximately 75,487 residential customers, 4255 commercial customers and 28 interruptible customers. City Gas generates approximately \$21,000,000 of base rate revenue annually.

On February 25, 1991, City Gas Company petitioned the Commission for authority to apply the rates, rules, classifications and regulations recently approved for City Gas in Docket No. 891175-GU (Order No. 24013, dated January 23, 1991) in lieu of the rates being charged under Miller Gas' current tariff.

When the assets of one natural gas utility are purchased by another natural gas utility, we normally prefer that existing company operate the former company for one year before seeking rate relief. After one year of operation, the existing company is more knowledgeable about the physical system, as well as, the costs associated with operating the system.

DOCUMENT NUMBER-DATE

03953 APR 25 1991

FPSC-RECORDS/REPORTING

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In this docket however we are inclined to grant the relief requested, on an interim basis, for the following reasons:

1. City Gas Company and the former Miller Gas Company both operate in the Miami area. In fact, in one area, customers on one side of the street are City Gas customers, and the customers on the other side are former Miller Gas customers. If this tariff is not approved, former Miller Gas customers will have different rates from their neighbors. This inconsistency could result in confusion to the customers. To alleviate the confusion in rates, all customers should be billed on the same basis.
2. City Gas Company is currently in the process of physically connecting the two systems together. Once the two systems are physically connected, City Gas and the former Miller Gas will incur an identical weighted average cost of gas. Although the prior true-ups for the companies differ, on a prospective basis, the gas costs will be identical. (The specific impact of the true-up amounts is addressed later.)
3. Certain economies of scales can be expected from City Gas operating a billing system with one set of rates, rather than two.
4. The difference between City Gas' rates and the existing tariff rates of Miller Gas is minimal. Attachment 1 details the full impact of all tariffed rates. As shown on the attachment, an average residential customer using 25 therms per month will pay an additional \$2.38 per month for service. An average commercial customer using 800 therms per month will experience a increase in his bill of \$19.70 per month. WASA, the single interruptible large volume customer will experience a \$4,198.00 increase per month.

The rate increase requested appears to be justified based upon the limited analysis we have been able to complete at this time. Therefore, we believe the rates should go into effect on an interim basis on bills rendered for meter readings taken on or after 30 days from the date of our vote on this docket. We will not decide whether a permanent rate increase is justified until after we have had the opportunity to complete a thorough and detailed analysis of the new rates. In order to complete such an analysis, we will require City Gas to comply with the following:

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1. Separate Mailing

The utility shall send a notice, approved by the Division of Electric and Gas of the Florida Public Service Commission to all affected customers containing:

- a. A statement that the utility has applied for a rate increase and the general reasons for the request;
- b. The time schedule established for the case, and the dates, times and locations of any proceedings that have been scheduled; and
- c. A comparison of current rates and service charges and the proposed new rates and service charges.

2. Surveillance Reports

Natural gas utilities are required to file monthly surveillance reports to the Commission 45 days after month end. After our interim approval of this tariff, City Gas will be required to file one consolidated surveillance report each month. However, because the surveillance reports are based on a 13 month average, we will not be able to determine the full impact of the assets obtained from Miller Gas. To alleviate this problem, the assets acquired from Miller, Gas, along with the associated depreciated, should be separately stated in the "Commission Approved Adjustment" column as provided on the surveillance forms. Costs to interconnect the former Miller system with the City Gas system, and costs to convert the former Consolidated underground LP system to natural gas, should be shown as separate line items in the surveillance reports. City Gas should begin filing consolidated surveillance reports beginning with the 13-month period ending April 30, 1991.

3. One-time Filing Requirements

- a. City Gas is required to file the purchase contract and any supporting documents associated with the purchase of the natural gas assets of the former Miller Gas Company.
- b. City Gas is required to file a detailed breakdown of all natural gas assets purchased. This detail should include at

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minimum, the type of asset purchased, the account in which City Gas has booked the asset, the historic cost, accumulated depreciation, and the associated depreciation rates.

- c. City Gas should provide a report detailing the projected costs to physically interconnect its system to the system of the former Miller Gas Company. This report should be updated after the actual costs have been incurred.
- d. City Gas should provide a detail of the projected costs to convert the former Consolidated underground LP system to natural gas. This report should be updated after the actual costs have been incurred.
- e. City Gas should provide a report detailing the projected cost to convert former Miller Gas Company's natural gas customer's standard delivery pressure of 14.98 psia to City Gas' standard delivery pressure of 15.236 psia. A second report should be submitted after the actual cost has been incurred summarizing and totaling all associated cost. If City Gas decides not to change Miller's customers standard delivery pressure, a written procedure should be developed and submitted to include, at a minimum, the method that would differentiate between the pressure billing factors. This procedure also should provide a means of visually identifying the correct pressure at the customer's meter/regulator set.

4. Annual Reports

City Gas should file consolidated annual reports beginning with calendar year 1991. This requirement applies to the FERC Form 2 (PSC/EAG 1) for financial reporting, and the RSPA F 7100-1-1 for reporting safety compliance.

5. Depreciation Study

City Gas must apply the former Miller Gas' depreciation rates to those assets purchased until such time as City Gas files a consolidated depreciation study. City Gas must file a depreciation study within one year of the approved consolidation.

6. Therm Sales and Customer Data Report

City Gas should file consolidated therm sales and customer data reports beginning with the April 30, 1991 reporting period.

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As City Gas has stipulated, the difference between the interim rates and the previously authorized rates shall be collected under bond or corporate undertaking, subject to refund with interest. This docket shall remain open so that the additional documentation submitted by City Gas may be thoroughly and adequately examined.

It is therefore

ORDERED by the Florida Public Service Commission that the request for rate increase filed by City Gas Company, for the previous customers of Miller Gas Company, is granted on an interim basis. The question of whether the new rates will go into effect on a permanent basis will not be addressed until after analysis of the additional documentation submitted by City Gas has been completed. It is further

ORDERED that City Gas Company shall comply with the six filing requirements set forth in the body of this Order. It is further

ORDERED that the interim increase authorized herein shall be reflected on bills rendered for meter readings taken on or after 30 days from the date of the Commission's vote, or April 22, 1991. It is further

ORDERED that the difference between the interim rates approved herein, and the previously authorized rates for Miller Gas Company, shall be collected under bond, or corporate undertaking, subject to refund with interest.

By ORDER of the Florida Public Service Commission, this
25th day of APRIL, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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COMMISSIONER DEASON DISSENTED AS FOLLOWS:

I dissent from the Commission's decision in this order for the very limited reason that I do not believe that the Commission has been presented with a sufficient basis for granting the request for interim rate relief that has been read into the Petition of City Gas. I do not believe that there is any dispute that the requested application of City Gas's tariffs to Miller Gas customers would be tantamount to a general rate increase. In all previous such cases the Commission has always granted any interim relief--whether under the interim statute or its inherent authority--based on a showing of need relative to a company's earnings. No such showing has been made in this case.

Recently the Florida Supreme Court has interpreted the File-and-Suspend law (Section 366.06) to require that any rates charged under a tariff filing by a utility to be interim pending any final determination by the Commission if a hearing is requested.

In this case the only way the tariff filing by City Gas could become interim under the recent Supreme Court decisions would be if the Commission were to approve (or fail to suspend) the Company's tariff filing. This was not done in this case. The Staff recommended, and the Commission voted for, suspending the tariff. This being the case the rates could not become interim by operation of law, but would instead have to be granted under some independent basis. It is this independent basis that I believe is lacking in this case.

Having said this, I would like to note that I do not necessarily take issue with the result reached by the Commission's vote. I believe that a persuasive argument has been made for solving the problem presented by City Gas. Unfortunately, I do not think that the chosen method of granting interim relief is appropriate. I am somewhat comforted by the fact that the Commission is holding out an opportunity for a hearing and that the Company has represented to the Commission that the associated revenues will be subject to refund pending the outcome of the docket.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 16,
1991.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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 on the date described above, any party adversely 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 sewer 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 date this Order becomes final, 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.

ATTACHMENT 1
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**PURCHASE OF MILLER GAS BY CITY GAS
 REVENUE AND RATE COMPARISON**

REVISED
 3/29/91

RATE SCHEDULE	MILLER GAS			CITY GAS		DIFFERENCE		
	RATE	CUSTOMERS	USAGE	REVENUE	RATE	REVENUE	RATE	REVENUE
RESIDENTIAL								
CUSTOMER CHARGE	\$6.00	4,434		\$319,266	\$6.00	\$319,266	\$0.00	\$0
ENERGY CHARGE	34.170		946,938	\$333,569	35.244	\$333,739	1.074	(\$12,170)
TOTAL				\$642,835		\$653,005		\$10,170
COMMERCIAL								
CUSTOMER CHARGE	\$12.00	75		\$10,836	\$12.00	\$10,836	\$0.00	\$0
ENERGY CHARGE	19.960		568,989	\$113,570	17.770	\$101,109	(2.190)	(\$12,461)
TOTAL				\$124,406		\$111,945		(\$12,461)
INTERRUPTIBLE								
CUSTOMER CHARGE	\$200.00	0		\$0	\$36.00	\$0	(\$164.00)	\$0
ENERGY CHARGE	13.250		0	\$0	11.732	\$0	(1.498)	\$0
TOTAL				\$0		\$0		\$0
INTERRUPTIBLE (LARGE VOLUME)								
CUSTOMER CHARGE	\$20.00	1		\$20	\$150.00	\$1,800	\$130.00	\$1,560
ENERGY CHARGE	7.500		3,313,616	\$248,521	9.451	\$313,120	1.951	\$64,649
TOTAL				\$248,761		\$314,920		\$66,209
TOTAL		4,511	4,829,543	\$1,016,002		\$1,079,920		\$63,918

MILLER GAS

TYPICAL THERM USAGE

	RESIDENTIAL	COMMERCIAL	INTERRUPTIBLE (LARGE VOLUME)
TYPICAL THERM USAGE	23	800	80,000
CUSTOMER CHARGE	\$6.00	\$12.00	\$20.00
ENERGY CHARGE	\$8.54	\$159.68	\$6,000.00
ECCR CHARGE	0.0000	\$0.00	\$0.00
WACOG	0.23371	\$3.89	\$18,836.80
PGA TRUE-UP	-0.01230	(\$0.21)	(\$1,000.00)
TOTAL	\$20.12	\$30.25	\$23,876.80

CITY GAS

	RESIDENTIAL	COMMERCIAL	INTERRUPTIBLE (LARGE VOLUME)
CUSTOMER CHARGE	\$6.00	\$12.00	\$150.00
ENERGY CHARGE	\$8.81	\$142.16	\$7,560.80
ECCR CHARGE	0.03323	\$1.33	\$0.00
WACOG	0.27241	\$6.81	\$21,792.80
PGA TRUE-UP	-0.00798	(\$0.20)	(\$638.40)
TOTAL	\$22.75	\$77.86	\$28,865.20

CITY GAS (COMBINED TRUE-UP and WACOG)

	RESIDENTIAL	COMMERCIAL	INTERRUPTIBLE (LARGE VOLUME)
CUSTOMER CHARGE	\$6.00	\$12.00	\$150.00
ENERGY CHARGE	\$8.81	\$142.16	\$7,560.80
ECCR CHARGE	0.03323	\$1.33	\$0.00
WACOG	0.26773	\$6.57	\$21,018.40
PGA TRUE-UP	-0.00818	(\$0.20)	(\$654.40)
TOTAL	\$22.31	\$76.95	\$28,074.80

DIFFERENCE BETWEEN MILLER GAS AND CITY GAS COMBINED

	RESIDENTIAL	COMMERCIAL	INTERRUPTIBLE (LARGE VOLUME)
CUSTOMER CHARGE	\$0.00	\$0.00	\$130.00
ENERGY CHARGE	\$0.77	(\$17.52)	\$1,560.80
ECCR CHARGE	\$1.33	\$1.33	\$0.00
WACOG	\$0.68	\$71.62	\$7,161.60
PGA TRUE-UP	\$0.11	\$3.46	\$345.60
TOTAL	\$2.89	\$58.93	\$14,198.00