

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of )	DOCKET NO. 910873-GU
initial rates to be established )	ORDER NO. 25456
by Sebring Gas System, a )	ISSUED: 12/9/91
division of Coker Fuels, Inc. )	
)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 SUSAN F. CLARK  
 J. TERRY DEASON  
 BETTY EASLEY  
 MICHAEL MCK. WILSON

ORDER ESTABLISHING INITIAL RATES FOR  
SEBRING GAS SYSTEM

BY THE COMMISSION:

Coker Fuels, Inc. (Coker Fuels) operates an underground propane gas distribution system in Sebring, Florida, under a franchise granted by the City of Sebring. Coker Fuels is in the process of converting its distribution system to natural gas to be operated under the name, Sebring Gas System, a Division of Coker Fuels, Inc. (Sebring). Sebring has capacity reserved on Florida Gas Transmission to have natural gas delivered into its system.

On April 30, 1991, Coker Fuels petitioned this Commission to assert its jurisdiction over Sebring as a natural gas utility (Docket 910573-GU). In Order No. 24761 issued July 5, 1991, we found Sebring to be a public utility subject to our jurisdiction. In the same Order we mandated that Sebring supply its customers with natural gas on or before January 10, 1992. As soon as Sebring's rates are in effect, Sebring can begin to provide natural gas service to some of its customers.

On September 30, 1991, Sebring filed rates and tariffs in this docket and petitioned this Commission for approval of initial rates in compliance with the requirement of Section 366.05(1), Florida Statutes.

In our preliminary analysis of Sebring's filing, we essentially replicated Sebring's calculation of expected revenues by multiplying estimated billing determinants by proposed rates. We then compared revenues to Sebring's estimates of expenses and the investment needed to provide service. Based solely upon Sebring's filed data, we find that the rates appear to be

DOCUMENT NUMBER-DATE

12148 DEC -9 1991

FPSC-RECORDS/REPORTING

ORDER NO. 25456  
DOCKET NO. 910873-GU  
PAGE 2

sufficient to yield a reasonable rate of return, and that the rates do not appear to provide excessive compensation. Because of the statutory time constraints concerning suspension, there has not been time for a complete review to determine whether levels of expense or investment as filed by Sebring are prudent, and whether they reflect actual and legitimate costs honestly and prudently incurred or invested in serving the public. Based on this initial review, however, we cannot find the proposed rates to be unfair, unjust, or unreasonable.

We then compared Sebring's proposed rates to those of other natural gas utilities. Sebring's initial rates are within the range of rates charged by other gas utilities for comparable service. Again, this limited analysis does not show rates to be unfair, unjust, or unreasonable.

This does not mean, however, that we have yet found Sebring's rates to be fair, just and reasonable, and we believe Section 366.06(1), Florida Statutes, requires that affirmative finding. Accordingly, we will approve rates that are fair, just, and reasonable before the conclusion of the eight month period for review. This case is set for hearing on March 30, 1992, and for final vote at a Special Agenda Conference on May 28, 1992.

Sebring must have rates in effect before it can sell natural gas. Therefore, pursuant to our authority to approve and set rates for public utilities under Sections 366.05 and 366.06, Florida Statutes, we are allowing Sebring's filed rates to go into effect as initial rates. However, any revenues collected under these approved rates shall be held subject to refund, pending further review. In effect, we are treating these initial rates as if they were interim rates in order to avoid regulatory lag. If we did not allow these initial rates to go into effect now, Sebring would not be able to provide natural gas service to its customers until the conclusion of the rate proceeding. In addition, if we were to suspend Sebring's rates at this point, Sebring could not legally provide natural gas service. Accordingly, we are not suspending Sebring's rates. Instead, Sebring shall charge the rates filed as its initial rates, and these rates shall be held subject to refund pending the final outcome of the rate proceeding. The Company has agreed to hold these initial rates subject to refund.

In order to assure the availability of funds, Sebring shall obtain a letter of credit in the amount of \$123,300 to protect any potential refund. A corporate undertaking is not a viable alternative because Sebring is a start-up company with no financial history. Although Sebring is an operating division of Coker Fuels, our review of Coker's financial statements shows that Coker could

ORDER NO. 25456  
DOCKET NO. 910873-GU  
PAGE 3

not support (or guarantee) the amount of the corporate undertaking needed on behalf of Sebring. Accordingly, we believe a letter of credit obtained prior to collecting rates is warranted in this case, and that this letter of credit shall be on an annual basis.

Interest shall be accrued in accordance with Rule 25-7.091, Florida Administrative Code. In the event a refund is necessary, interest shall be calculated monthly based upon the thirty-day commercial paper rate. The average monthly commercial paper rate shall be applied to the sum of the previous month's ending balance, and the current month's ending balance divided by two to accomplish a compounding effect.

Sebring presently has no natural gas customers, but Coker Fuels does have propane customers, some of which Sebring plans to convert to natural gas. Sebring shall notify those customers it plans to convert to natural gas of the conversion and of the utility's initial rates.

Finally, we note that this decision is not final agency action, and that it will be reviewed.

It is, therefore,

ORDERED by the Florida Public Service Commission that the rates filed by Sebring Gas System, a Division of Coker Fuels, Inc., shall be the initial rates of the natural gas utility. It is further

ORDERED that these initial rates shall be held subject to refund pending the final outcome of the rate proceeding. It is further

ORDERED that Sebring Gas System shall obtain a letter of credit in the amount of \$123,300. It is further

ORDERED that Sebring shall notify those customers it plans to convert to natural gas service of the utility's initial natural gas rates.

ORDER NO. 25456  
DOCKET NO. 910873-GU  
PAGE 4

By ORDER of the Florida Public Service Commission, this  
9th day of DECEMBER, 1991.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )  
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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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

ORDER NO. 25456  
DOCKET NO. 910873-GU  
PAGE 5

SEBRING GAS SYSTEM  
COMMISSION APPROVED  
INITIAL RATES

<u>RATE SCHEDULE</u>	<u>CHARGE</u>
<u>RESIDENTIAL</u>	
Customer Charge	\$7.00
Energy Charge cents/therm	35.50
<u>COMMERCIAL</u>	
Customer Charge	\$17.00
Energy Charge cents/therm	26.50
<u>SERVICE CHARGES</u>	<u>CHARGE</u>
Initial Connection Residential	\$25.00
Initial Connection Commercial	\$50.00
Reconnection	\$25.00
Change of Account	\$10.00