

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment) DOCKET NO. 930003-GU
(PGA) True-Up.) ORDER NO. PSC-93-0708-FOF-GU
_____) ISSUED: 5/10/93

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING ANNUAL PURCHASED GAS COST RECOVERY HEARING

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On October 2, 1992, Staff conducted a workshop to consider and hear comments from investor-owned utilities regarding the feasibility of holding purchased gas cost recovery hearings annually instead of semi-annually. The workshop was attended by representatives from Florida Public Utilities Company, Peoples Gas System, Inc., West Florida Natural Gas Company, Florida Division of Chesapeake Utilities Corporation, St. Joe Natural Gas Company, City Gas Company of Florida, Indiantown Gas Company, Inc. and Florida Industrial Power Users Group.

We find that the frequency of the purchased gas cost recovery hearings from shall be changed from semi-annually to annually, beginning with the February, 1994 hearing. The goal of the change is to reduce the time and dollars spent during the preparation for and attendance at cost recovery proceedings, thereby producing savings which will benefit utility ratepayers. Under the proposal, the Commission would consider the recovery of purchased gas during a one-day hearing in February of each year. A time-line depicting the cost recovery periods, including the transition period, is attached as Exhibit 1.

We believe there are substantial benefits to be derived from a change to annual hearings. A reduction in the number of days

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scheduled for hearings will not only free up Commissioners' time, but Staff and company employees' time as well. Affected company employees could be better utilized in other company interests, and the ratepayers would save the incremental costs (airfare, hotel, meals, etc.) related to an additional hearing. There also would be lower administrative and legal expenses associated with preparing and filing projections annually versus semi-annually. All such savings would directly benefit ratepayers.

The effected utilities are generally in agreement to the change to annual hearings. The utilities expressed concerns in two areas.

The first concern is the possibility that a longer forecast horizon will increase the likelihood of a company's actual costs differing from its forecast and therefore, an increased potential for over or under recoveries. We agree that there is a probability that this could occur. However, with the extension of the cost recovery period, there also is the probability that the accumulation of over or under recoveries could be offset during the extended period. In addition, the utilities will continue to have a mid-course correction procedure to address excessive over or under recoveries. The mid-course correction procedure will not change with a change in the frequency of cost recovery hearings. The responding utilities suggested a change in the variance percentage ranging from 10% to 20%. We find that the percentage used to trigger the mid-course correction procedure should remain at 10%. Any greater percentage may cause large fluctuations in the purchased gas factor in order to adjust for the over/underrecovery in subsequent periods.

The second concern expressed by three companies responding to the request for written comments involves the seasonality of gas costs. The Florida Division of Chesapeake Utilities Corporation stated that its gas prices are typically higher in the winter than in the summer. A levelized purchased gas factor based on the average of the two seasons would match current market conditions and would lead to large over or under recoveries of gas costs in the two seasons. The company suggests that this problem could be mitigated by establishing a maximum levelized purchased gas factor based on the company's expected winter cost of gas, thereby eliminating any large underrecovery in that season. The company would then be able to flex downward in the summer in order to match market conditions and eliminate the potential for a large overrecovery for the remainder of the period. We agree with this

suggestion and believe that setting the purchased gas factor in this manner will also allow the utility to actively manage over recoveries. Florida Public Utilities Company and Indiantown Gas Company suggest that the ability to file for two independent six-month factors would address the concern regarding the seasonality of gas cost. We see no reason not to allow companies to file seasonal factors. However, the filing of seasonal factors shall be optional for all the gas companies.

Based on the foregoing, it is

ORDERED that the frequency of purchased gas cost recovery hearings shall be changed from semi-annually to annually, beginning with the February, 1994 hearing. It is further

ORDERED that all gas companies may, at their option, file seasonal factors for the recovery of purchased gas costs.

By ORDER of the Florida Public Service Commission, this 10th day of May, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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by: Kay Flynn
Chief, Bureau of Records

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 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 1, 1993.

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.

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 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 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.

**PURCHASED GAS COST RECOVERY FILING
 TIME LINE - FIRST TIME - TRANSITION**

