

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of 1994) DOCKET NO. 941256-GU
Earnings of St. Joe Natural Gas) ORDER NO. PSC-95-0017-FOF-GU
Company, Inc.) ISSUED: January 5, 1995
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING CAP ON 1994 EARNINGS

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

St. Joe Natural Gas Company, Inc. (St. Joe or the Company) is a local gas distributor that serves approximately 3,090 residential, commercial, and industrial customers in the City of Port St. Joe, Mexico Beach, and unincorporated areas of Gulf County. St. Joe has one very large industrial customer, St. Joe Paper Company, that takes approximately 66 percent of St. Joe's volumes equating to a 75 percent contribution to revenues. St. Joe's residential and commercial rates are significantly lower than those charged by any other local distribution company in Florida.

As a result of the Commission's ongoing earnings surveillance program, Staff was made aware of the high level of St. Joe's earnings. The achieved return on equity (ROE) for the year ending June 30, 1994 was 14.29%. This return exceeded the maximum ROE of 12.00% authorized in Order No. PSC-93-1775-FOF-GU, issued in Docket No. 931102-GU, on December 10, 1993. The previously authorized maximum ROE was 14.70%. The September 1994 report was received on November 3, 1994, and showed an achieved ROE of 13.71%.

Based on the June 1994 report, the Staff sent a letter, dated September 1, 1994, to St. Joe requesting that the Company agree to a 12.00% ROE earnings cap for 1994 to resolve the matter concerning any potential overearnings. St. Joe agreed to this earnings cap with the added condition that any 1994 excess earnings be deferred to, and commingled with, 1995 earnings before the Commission determines the appropriate disposition of any excess earnings.

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Staff agreed with St. Joe's proposal, but added an additional modification to clarify the treatment of any excess earnings occurring in 1995. In the event a new ROE becomes effective in 1995, any excess 1995 earnings would be capped at the weighted average of 12.00% ROE and the newly effective top of the range based upon the number of days each is in effect during the year.

St. Joe's proposal, as modified, is reasonable given the Company's current construction program. St. Joe is involved in a major expansion project to provide natural gas service to the city of Wewahitchka, Florida. This five-year project was approved in Order No. PSC-94-0833-FOF-GU, issued in Docket No. 940548-GU, on July 11, 1994. The project, which commenced in August, 1994, is being financed through St. Joe's existing cash flow rather than the issuance of debt or other types of securities. Because the project was not started until August, 1994, the effects of this major expansion project have not yet had any significant impact on St. Joe's rate base or ROE.

Recognizing that the project is being financed out of St. Joe's cash flow and that St. Joe's rates are very low, the 12.00% ROE cap on 1994 earnings is appropriate. The deferral of any resulting excess earnings into 1995 and the commingling of the earnings of the two years is, also, approved. This will allow the effects of the expansion project to have a greater and more representative impact on the rate base and ROE. Staff's modification clarifying the treatment of excess earnings in 1995 is also appropriate. In addition, the commingled excess earnings, if any, shall be subject to disposal at the direction of this Commission.

Based on the foregoing, it is therefore

ORDERED that St. Joe Natural Gas Company's 1994 earnings shall be capped at 12.00% return on equity and any 1994 earnings that exceed this cap shall be deferred to 1995 and commingled with the earnings from that year. It is further

ORDERED that St. Joe Natural Gas Company's 1995 earnings shall be capped at a 12.00% return on equity. However, if a new authorized return on equity becomes effective in 1995, St. Joe Natural Gas Company's earnings for 1995 shall be capped at the weighted average of 12.00% and the newly effective top of the range, based upon the number of days each is in effect during the year. It is further

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ORDERED that St. Joe Natural Gas Company, Inc.'s commingled excess earnings for 1994 and 1995 shall be disposed of by the direction of the Public Service Commission. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket should be closed.

By ORDER of the Florida Public Service Commission, this 5th day of January, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

BC

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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 26, 1995.

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 substantially 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 wastewater 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.