

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 950477-GU
agreement for firm natural gas) ORDER NO. PSC-95-0700-FOF-GU
transportation service with the) ISSUED: June 12, 1995
Florida Department of Management)
Services by West Florida Natural)
Gas Company.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TARIFF AGREEMENT

BY THE COMMISSION:

On October 8, 1991, Executive Order No. 92-253, Section 4(c), was issued requiring state agencies to develop a procedure for the cost-effective bulk purchase of natural gas and other energy-efficient fuels. Pursuant to that order, the Department of Management Services' Division of Purchasing (DMS) issued a Request for Proposal to establish a centralized contract for the capacity management and acquisition of natural gas supply. The contract resulting from this proposal was to be established for all state agencies. As a result of this request, a contract with Florida Gas Transmission Company (FGT) became effective November 1, 1994, with an initial period of five years and a five-year renewal option. The Department of Corrections is the first agency to begin using natural gas pursuant to the contract with FGT.

Some state sites are currently using natural gas obtained directly from Florida Gas Transmission, local distribution companies, or municipalities. In cases where facilities are not presently using natural gas, new gas pipelines will have to be extended to allow delivery of natural gas. Following installation of the pipeline, on-site boilers, heaters, kitchen, and laundry equipment will be converted to natural gas. In most instances, the service-line extensions and on-site piping and equipment conversions are being provided by the utility serving those sites. Since some of the extensions will exceed the maximum capital

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investment allowed by tariff, the State will repay the remaining amount in equal payments over a four year period as an addition to the monthly gas bill. The additional costs to be borne by the State will be covered by fuel cost reductions or justified by avoided fuel spill clean-up costs, reduced boiler operation and maintenance costs, reduced boiler inspection certification costs and other factors.

The centralized gas procurement contract not only allows for competitive pricing with negotiated transportation rates and reduces the need for on-site staff experienced in gas acquisition, it is also expected to minimize the use of fuel oil whenever economical in an effort to improve environmental conditions and eliminate delivery concerns. Conversion of on-site equipment will be negotiated with the Local Distribution Companies on a site-by-site basis. The Department of Management Services will negotiate a transportation agreement with each gas utility to allow the State's gas to flow through their system.

The purpose of this agreement/special contract between the Department of Management Services and West Florida Natural Gas (WFNG), therefore, is to establish the terms, conditions and rates for transportation of natural gas to state facilities. WFNG agrees to provide transportation on its system for DMS for a minimum annual amount of 300,000 therms to the correctional institutions in its Ocala Division. The only difference between this agreement and WFNG's tariff is the repayment of the contribution-in-aid of construction over a four-year period, rather than payment up front. The rates and charges are the same as the present Firm Industrial Sales Service rate schedule.

It is envisioned that other State Facilities will be added to this basic agreement in the future through duly executed modifications. Such facilities will be served under the same terms and conditions contained in this agreement unless otherwise specified. In addition, DMS recognizes that the specific rate for service (present Firm Industrial Sales Service rate schedule) may be revised or amended subject to Commission approval.

Service to the state facilities will require a contribution-in-aid-of-construction. The maximum capital investment made by WFNG will be based on the standard tariff provisions and will initially be based on an estimated annual consumption of 300,000 therms. DMS shall repay WFNG the actual capital expenditures in excess of the maximum capital investment in 48 monthly payments. When the actual consumption figures are available for the first 12

months of service, a true-up calculation shall be made and a new payment schedule will be prepared if a significant adjustment in the amount of payment is required.

At the end of the 48 months, a true-up calculation shall be made to accurately reflect WFNG's maximum capital investment and the State's proper repayment of excess investment cost. The State shall be reimbursed for any overpayment by means of a credit on the monthly bill for a period not to exceed 6 months. Any underpayment by the State shall be billed by WFNG on subsequent monthly invoices in amounts not to exceed the monthly payment paid during the previous 48 months. In the event this agreement is terminated prior to repayment of the total excess maximum capital investment, the State shall pay the remaining amount to WFNG at the time of termination.

DMS shall be responsible for securing its own gas supply, for the transportation of such gas upstream of WFNG's system, and for all costs incurred in connection with the purchase of gas and upstream transportation. Gas delivered to WFNG for transportation under this agreement shall remain the property of DMS during such transportation. DMS shall comply with all applicable tariff provisions of any pipeline which transports gas for DMS upstream of WFNG's system. DMS, or its designated agent, shall furnish WFNG copies of all nominations or scheduling which will be made directly to Florida Gas Transmission or which may be received by Florida Gas Transmission five days prior to the first of the month.

Based on the foregoing, it is therefore

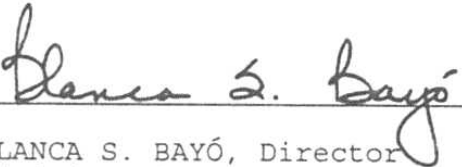
ORDERED that the firm natural gas transportation service agreement between West Florida Natural Gas Company and the Florida Department of Management Services is, hereby, approved as discussed in the body of this order. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff agreement shall remain in effect pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 12th
day of June, 1995.



BLANCA S. BAYÓ, 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.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 03, 1995.

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.

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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 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 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.