

MEMORANDUM

February 23, 1998

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FPSC - Records/Reporting

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (CRUZ-BUSTILLO) *RVE*
JCB

RE: DOCKET NO. 971618-GU - PETITION BY TAMPA ELECTRIC COMPANY
D/B/A PEOPLES GAS SYSTEM FOR MODIFICATION OF RIDER WNA
(WEATHER NORMALIZATION ADJUSTMENT) IN PEOPLES' NATURAL
GAS TARIFF TO PROVIDE MAXIMUM ADJUSTMENT TO CUSTOMERS'S
BILLS

98-0326-FOF-GU

Attached is an ORDER GRANTING MODIFICATIONS TO PEOPLES' EXPERIMENTAL WEATHER NORMALIZATION ADJUSTMENT RIDER, to be issued in the above referenced docket. (Number of pages in order - 5)

JCB/ar
Attachment
cc: Division of Electric and Gas
I: 971618.jcb

boxed - 1/10
marked - 1/10

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Tampa
Electric Company d/b/a Peoples
Gas System for Modification of
Rider WNA (Weather Normalization
Adjustment) in Peoples' Natural
Gas Tariff to provide maximum
adjustment to customers' bills

DOCKET NO. 9/1618-GU
ORDER NO. PSC-98-0326-FOF-GU
ISSUED: February 24, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER GRANTING MODIFICATIONS TO PEOPLES' EXPERIMENTAL
WEATHER NORMALIZATION ADJUSTMENT RIDER

On July 16, 1996, West Florida Natural Gas (WFNG) petitioned the Commission for approval to implement a three-year experimental Weather Normalization Tariff. (Docket No. 960831-GU). At that time, WFNG believed that the Weather Normalization Tariff would levelize revenues resulting from unpredictable changes in winter weather. The Commission approved the petition in Order No. PSC-96-1192-FOF-GU, issued September 23, 1996.

Peoples Gas System (Peoples), a division of Tampa Electric Company, acquired WFNG on June 30, 1997. The experimental Weather Normalization Tariff remained in effect for Peoples West Florida Division. On December 15, 1997, Peoples filed a petition for modification of Rider WNA (Weather Normalization Adjustment) to provide for maximum adjustment to customers' bills.

On January 20, 1998, Peoples filed an amendment to its petition. The amendment was filed to clarify the facts stated in its petition and to provide additional data.

DOCUMENT NUMBER-DATE

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FILED IN PUBLIC REPORTING

West Florida Natural Gas Co.'s (WFNG), original proposed weather normalization adjustment was intended to be a rate mechanism that would offset the impact of unusually cold or warm weather on its revenues and income. The Weather Normalization Tariff, during its experimental years, was to be in effect from November through April. Because of its location in Northern and Central Florida, WFNG experienced substantial heat sensitive demand on its system. To compensate for the deviations from normal weather, an adjustment factor was applied that increased or decreased base revenues on residential and commercial accounts. Customers with weather normalized rates had their bills adjusted downwards in unusually cold months, and adjusted upwards during periods of unusually warm weather.

The weather normalization clause was intended to protect WFNG against revenue and earnings instability resulting from weather fluctuations. The typical adjustment to a customer's bill was expected to be less than two dollars.

Weather normalization clauses are being used in fifty-two jurisdictions across twenty-six states and Canada. These clauses are designed to minimize the revenue impact of abnormal weather. Over a long period of time, the purpose is to achieve revenue neutrality.

At the time that this tariff was originally proposed, it was anticipated that the clause would continue to be applied, and that over time, revenue neutrality would be achieved.

During the first period of the pilot program (October 1996 through April 1997), WFNG's operating divisions, overall, experienced abnormally warm weather. As a result, weather normalized customers were assessed additional monies during most of the weather normalized months. Of the approximately 28,500 weather normalized customers, approximately ten customers voiced their complaints to WFNG. The Commission received six written complaints. The adjustments on these customers' bills ranged from a weather normalization credit of -\$10.83 to an additional charge of \$17.89.

In its petition, Peoples proposed an adjustment cap for each of the two remaining years of the WNA experiment.

For the period October 1997, through April 1998, Peoples proposed to limit the amount of any additional WNA charge to ten dollars. However, the revision would not limit the amount of any credit. Therefore, if it was abnormally cold, Peoples would give back the entire calculated WNA, no matter what the amount was. For the final period of the experiment (October 1998 through April 1999), Peoples proposed to have a cap of ten dollars for both credits and charges. We find that these proposed tariff revisions are in the best interest of FPL and its ratepayers.

Notwithstanding our approval, it is important to note that there currently exists a substantial surplus. We believe that it is more likely than not that Peoples will retain more overall monies as a result of the WNA - as opposed to the revenue neutral outcome the experiment envisioned.

During the first period, October 1996 through April 1997, customers have been charged a total of \$404,309 (this is separate and apart from any WNA credits applied to the bill.) For the current experimental period that began October 1997, the Company has issued \$168,988 in credits, making the balance of the WNA as of December 31, 1997, a \$235,310 surplus.

Peoples has indicated that it does not intend to extend the weather normalization experiment any further. Given that, we believe that it is more likely than not that at the end of the three year period, Peoples will have generated higher revenues than it would have, had there been no WNA. That was not the intent of the WNA experiment. The intent was to achieve revenue neutrality.

In approving WFNG's original petition, the Commission stated that it would reevaluate the effectiveness of the program at the end of the three year period. The three-year experiment will terminate on April 30, 1999. To ensure a timely decision is made with respect to this program, Peoples shall be required to file a petition to either end, extend or convert the experimental program to a full program, no later than December 1, 1998.

Upon consideration, we find that the proposed tariff revisions are in the best interest of Peoples and its ratepayers and, should be approved.

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Based on the foregoing, it is

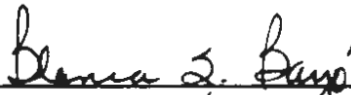
ORDERED by the Florida Public Service Commission that the petition by Tampa Electric Company d/b/a Peoples Gas System for modification of Rider WNA (Weather Normalization Adjustment) in Peoples' natural gas tariff to provide maximum adjustment to customers' bills is approved as discussed in the body of this order. It is further

ORDERED that this docket shall remain open. It is further

ORDERED that Peoples shall be required to file a petition to end, extend, or convert the experimental program to a full program, no later than December 1, 1998. It is further

ORDERED that if a protest is timely filed, the tariff revisions shall remain in effect, subject to refund, pending resolution of the protest.

By ORDER of the Florida Public Service Commission this 24th day of February, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

JCB

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 March 17, 1998.

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 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.