

MEMORANDUM

OCTOBER 27, 1998

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REC'D
REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (C. KEATING) WCK RVE

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 FOR MAXIMUM ADJUSTMENT TO
CUSTOMERS' BILLS

PSC-98-1446-FOF-GU

Attached is an ORDER APPROVING CANCELLATION OF WEATHER
NORMALIZATION ADJUSTMENT RIDER to be issued in the above-referenced
docket. (Number of pages in order - 5)

WCK/js

Attachment

cc: Division of Electric and Gas (Bulecza-Banks, Lowery, Makin)
Division of Auditing and Financial Analysis (L. Romig)

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See 15

faxed - Y,
mailed -

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 for
maximum adjustment to customers'
bills.

DOCKET NO. 971618-GU
ORDER NO. PSC-98-1466-FOF-GU
ISSUED: October 27, 1998

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING CANCELLATION OF WEATHER
NORMALIZATION ADJUSTMENT RIDER

BY THE COMMISSION:

On July 16, 1996, West Florida Natural Gas Company (WFNG) petitioned this Commission for approval to implement a three-year experimental Weather Normalization Adjustment (WNA) Rider. WFNG's proposed WNA Rider was intended to provide a rate mechanism that would offset the impact of unusually cold or warm winters on its revenues and income. The WNA Rider, during its experimental years, was to be in effect from November through April.

Because its service territory was located 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 typical adjustment to a customer's bill was expected to be less than two dollars. By Order No. PSC-96-1192-FOR-GU, issued September 23, 1996, we approved WFNG's petition.

FILED IN 1998

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During the first period of the experimental tariff, November 1996 through April 1997, WFNG's Panama City and Ocala service areas, overall, experienced the 50th warmest winter in United States history. As a result, weather-normalized customers in those areas were assessed additional monies during most of the weather-normalized months.

On June 30, 1997, Peoples Gas System ("Peoples" or "Company"), a division of Tampa Electric Company, acquired WFNG. The experimental WNA Rider remained in effect for Peoples' newly acquired West Florida Division. On December 15, 1997, Peoples filed a petition for modification of the WNA Rider to provide for a maximum adjustment to customers' bills. By Order No. PSC-98-0326-FOR-GU, issued February 24, 1998, we approved Peoples' petition. Under the modified WNA Rider, a limit of \$10 was placed on the amount of each WNA charge for the period November 1997 through April 1998. However, there was no limit to the amount of any possible credit. For the final period of the three-year experimental tariff (November 1998 through April 1999), a cap of \$10 was approved for both credits and charges.

During the second period of the experimental tariff, November 1997 through April 1998, the former WFNG's Panama City service area experienced colder than normal temperatures during each of the weather-normalized months. Thus, customers in that area received a credit for each of the six months. On the other hand, WFNG's Ocala service area experienced warmer than normal temperatures. Thus, customers in that area received a charge during January and February. The extreme differences between the two regions can be attributed to El Nino's residual effects on Florida's weather patterns.

After the second period of the experimental tariff, WFNG and its successor, Peoples, had refunded \$70,236 more than they had collected through the WNA Rider. However, because of the differences in weather patterns, the customers in the Panama City service area received an overall credit, while customers in the Ocala service area experienced an overall charge. On average, residential customers in the Panama City service area were credited a total of thirty-seven dollars over the past two seasons of the experiment, while the Ocala service area's residential customers were charged an additional fifteen dollars over the same period.

On August 27, 1998, Peoples filed a petition to cancel the WNA Rider before the final year of the experiment. For the reasons

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stated below, we believe that cancellation of the WNA Rider is appropriate.

Weather normalization clauses are an attempt to minimize the revenue impact of abnormal temperatures and are being used in twenty-six states, as well as Canada. In order to be effective, these clauses are designed to be in place over long periods of time, such as twenty to thirty years. At the time its WNA Rider was originally proposed and approved, WFNG anticipated that the tariff would continue to be applied beyond the experimental period and that, over time, revenue neutrality would be achieved. However, since Peoples' purchase of WFNG on June 30, 1997, the WNA Rider is no longer a necessity.

Peoples is significantly larger in total customers than WFNG. When it was purchased by Peoples, WFNG had approximately 28,000 residential and commercial customers. Peoples, on the other hand, serves approximately 200,000 residential and commercial customers. Further, a majority of Peoples' customers are located in central and southern Florida. As a result of these factors, Peoples' revenues are not affected as dramatically as WFNG's revenues were affected by severe weather anomalies. The potential for revenue fluctuation, as a result of extreme temperatures, is largely reduced for Peoples.

As indicated above, former WFNG customers receiving service under the WNA Rider have received an aggregate credit of \$70,236 over the first two years of the WNA Rider. However, Peoples does not wish to recover this aggregate credit at this time, or in any future rate case. We believe that allowing the WNA Rider to remain in effect for its final year will create unnecessary risk for both Peoples and its customers receiving service under the tariff. Accordingly, we find that Peoples' petition should be approved and that the WNA Rider should be canceled effective October 6, 1998, the date of our vote on this matter.

Based on the foregoing, it is

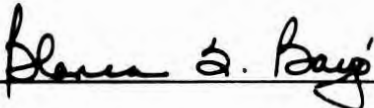
ORDERED by the Florida Public Service Commission that the petition of Tampa Electric Company d/b/a Peoples Gas System for approval to cancel its Weather Normalization Adjustment Rider is approved. It is further

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ORDERED that Tampa Electric Company d/b/a Peoples Gas System's Weather Normalization Adjustment Rider is canceled effective October 6, 1998. It is further

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

By ORDER of the Florida Public Service Commission this 27th day of October, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

WCK

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.

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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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 November 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.