

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Tampa Electric Company d/b/a Peoples Gas System for approval of a methodology for charging multiple purchased gas adjustment factors.

DOCKET NO. 981698-GU
ORDER NO. PSC-99-0634-FOF-GU
ISSUED: April 5, 1999

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING METHODOLOGY

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.

On November 23, 1998, Tampa Electric Company d/b/a Peoples Gas System (Peoples) filed its request for approval of a methodology for charging multiple Purchased Gas Adjustment factors (PGA). On February 26, 1999, Peoples filed an amendment to its petition. Historically, Peoples has used only a single PGA factor for the purpose of recovering purchased gas and upstream transportation costs. The purchased gas cost is the cost of the actual gas molecules being transported. Upstream transportation (pipeline capacity/demand) represents the costs of transporting the gas molecules from the producer to the natural gas distribution companies.

Peoples, like most local distribution companies, must reserve interstate pipeline capacity to fulfill the expected peak demand of

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its firm customers. Historically, the peak demand on Peoples system has occurred in January. To ensure that it has capacity available to supply firm load, Peoples must contract for interstate capacity in an amount needed to serve the peak day. During all other periods, Peoples will likely have excess capacity which it will attempt to sell.

Because interstate pipeline capacity is a fixed cost and the level of cost is driven by the peak throughput month, demand-related interstate pipeline costs are incurred based upon the level of sales for the peak month. Peoples' proposed methodology for allocating costs among rate classes recognizes this cost relationship.

Historically, a single PGA factor was calculated by taking the total projected costs of the molecules and transportation costs and dividing them by the projected therm sales. Using actual numbers, Peoples PGA factor for December 1998 was determined as follows:

Total Cost of Gas Including Interstate	
Transportation Costs	\$10,160,724
Divided by Projected Therm Sales for December	29,994,980
December PGA Factor	0.338750*

* Factor does not include any prior true-up or taxes.

According to Peoples, under the single PGA factor method, the residential class has not covered the costs incurred to provide natural gas. Peoples amended petition is designed to allocate interstate capacity costs more appropriately. However, the method to assign the gas costs (molecules) remains unchanged.

As addressed in Peoples' amended petition, the PGA costs would be based on the interstate capacity held during two distinct seasonal periods. The winter period consists of the months October through March, and the summer period consists of the months April through September. For each season, the historical peak month would form the basis of the calculation. Historically, the peak winter and summer months have been January and April, respectively.

As an example, to calculate the winter peak residential and commercial class capacity allocation, each class' sales volumes that occurred in the most recent January is divided by the total sales volumes that occurred in the most recent January. In January 1998, the residential rate class accounted for 25.84% of the PGA

sales, and the commercial rate classes accounted for 74.16%. This percentage is applied to the total demand costs of \$5,514,827. The result is then added to the residential and commercial gas costs of \$4,645,827. This amount is then divided by the expected residential and commercial therm sales (6,694,880 and 23,289,983 respectively). This factor (excluding true-up and taxes) represents the PGA factor to be applied during the October through March season.

PROPOSED METHODOLOGY WINTER PERIOD (OCTOBER - MARCH)

Capacity (Demand) Allocation Factors
Peak Month January 98 Sales Volumes

		<u>% of Total</u>	<u>Demand Cost</u>
Residential	8,113,280	25.84	\$1,425,031
Commercial	<u>23,300,100</u>	74.16	<u>\$4,089,796</u>
Total	31,403,263		\$5,514,827

Residential 25.84 x \$5,514,827 = \$1,425,031
 Commercial 74.16 x \$5,514,827 = \$4,089,796

Volume (Commodity)
 Allocation Factors
December 98 Sales Volumes

		<u>% of Total</u>	<u>Gas Cost (Commodity)</u>
Residential	6,694,880	22.33	\$1,037,429
Commercial	<u>23,289,983</u>	77.67	<u>\$3,608,468</u>
Total	29,994,980		\$4,645,897

Residential 22.33 x \$4,645,897 = \$1,037,429
 Commercial 77.67 x \$4,645,897 = \$3,608,468

PGA Factors (Winter)

Residential Demand Commodity Total Sales
 \$1,425,031+\$1,037,429=\$2,462,460/6,694,880=0.36781*

Commercial Demand Commodity Total Sales
 \$4,089,796+\$3,608,468=\$7,698,267/23,289,983=0.33053*

*Excludes true-up and taxes

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The effect on an average residential customer using 20 therms, would be an increase of \$0.02906 cents per therm, or \$.58 increase on the customer's bill compared to the single PGA factor of 0.33875 cents per therm used in December.

Because the residential contribution to the peak is significantly lower in the summer months, a separate calculation would be applied for the months April through September. The same calculation would be made, except the peak summer month would be April.

New demand allocation factors will be derived based on each January's and April's data. The proposed methodology provides for the fixed demand allocation factors to be used for the October through March period and the April through September period.

The commodity allocation factors will change every month, based on each class' monthly PGA sales divided by the total monthly PGA sales. True-up of any overrecovery/underrecovery dollars will be treated the same as they are now.

Accordingly, we approve of Peoples proposed methodology for the allocation of fixed, demand-related costs to separate PGA factors for residential and commercial classes, according to each class' contribution.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Request of Tampa Electric Company d/b/a Peoples Gas System for approval of a methodology for charging multiple purchased gas adjustment factors is approved. It is further

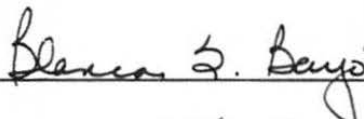
ORDERED that the methodology approved herein shall become effective April 1, 1999. It is further

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 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission this 5th day of April, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file 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

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Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 26, 1999.

In the absence of such a petition, this order shall become effective 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 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.