

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment
(PGA) True-Up.

DOCKET NO. 010003-GU
ORDER NO. PSC-01-2370-FOF-GU
ISSUED: December 7, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

APPEARANCES:

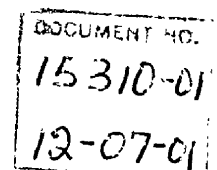
WAYNE L. SCHIEFELBEIN, ESQUIRE, Post Office Box 15856,
Tallahassee, Florida 32317
On behalf of Chesapeake Utilities Corporation.

RICHARD D. MELSON, ESQUIRE, Hopping Green & Sams, P. A.,
P. O. Box 6526, Tallahassee, Florida 32314
On behalf of City Gas Company of Florida.

ANSLEY WATSON, JR., ESQUIRE, MacFarlane Ferguson &
McMullen, Post Office Box 1531, Tampa, Florida 33601
On behalf of Peoples Gas System.

ROBERT D. VANDIVER, ESQUIRE, Office of Public Counsel,
c/o The Florida Legislature, 111 West Madison Street,
Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

WM. COCHRAN KEATING IV, Esquire, Florida Public Service
Commission, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850
On behalf of the Commission Staff.



ORDER APPROVING PURCHASED GAS ADJUSTMENT TRUE-UP AMOUNTS
AND ESTABLISHING PURCHASED GAS COST RECOVERY FACTORS TO BE
APPLIED DURING THE PERIOD JANUARY 2002 THROUGH DECEMBER 2002

As part of this Commission's continuing purchased gas adjustment true-up proceedings, an administrative hearing was held November 20, 2001, in this docket. Chesapeake Utilities Corporation, Florida Division; City Gas Company of Florida; Florida Public Utilities Company; Indiantown Gas Company; Peoples Gas System ("Peoples Gas"); Sebring Gas System, Inc.; St. Joe Natural Gas Company; and South Florida Natural Gas Company submitted testimony and exhibits in support of their proposed final and estimated true-up amounts and their proposed purchased gas cost recovery factors. The Office of Public Counsel ("OPC") also participated as a party in this proceeding.

Prior to hearing, the parties reached agreement concerning all but one of the issues identified for resolution at hearing. These issues were presented to us as a stipulation. The remaining issue concerns recovery by Peoples Gas of amounts voluntarily paid to fund the Gas Research Institute ("GRI").

I. STIPULATED ISSUES

The parties stipulated to the final and estimated true-up amounts and purchased gas cost recovery factors appropriate for each utility. We accept and approve the stipulations, set forth below, as reasonable and supported by competent, substantial evidence of record.

We find that the appropriate final purchased gas adjustment true-up amounts for the period January 2000 through December 2000 are as follows:

Chesapeake Utilities Corporation	\$1,363,675	Underrecovery
City Gas Company of Florida	\$1,241,776	Underrecovery
Florida Public Utilities	\$1,395,028	Underrecovery
Indiantown Gas Company	\$20,446	Overrecovery

Peoples Gas System	\$13,661,513	Underrecovery
Sebring Gas System, Inc.	\$6,642	Overrecovery
St. Joe Natural Gas Company	\$88,000	Underrecovery
South Florida Natural Gas Company	\$211,238	Underrecovery

We find that the estimated purchased gas adjustment true-up amounts for the period January 2001 through December 2001 are as follows:

Chesapeake Utilities Corporation	\$156,863	Underrecovery
City Gas Company of Florida	\$596,710	Underrecovery
Florida Public Utilities	\$1,761,048	Overrecovery
Indiantown Gas Company	\$25,598	Underrecovery
Peoples Gas System	\$17,262,427	Overrecovery
Sebring Gas System, Inc.	\$16,680	Overrecovery
St. Joe Natural Gas Company	\$46,800	Overrecovery
South Florida Natural Gas Company	\$211,229	Overrecovery

We find that the total purchased gas adjustment true-up amounts to be collected during the period January 2002 through December 2002 are as follows:

Chesapeake Utilities Corporation	\$1,520,538	Underrecovery
City Gas Company of Florida	\$1,838,486	Underrecovery
Florida Public Utilities	\$366,020	Overrecovery
Indiantown Gas Company	\$5,152	Underrecovery
Peoples Gas System	\$3,600,915	Overrecovery

Sebring Gas System, Inc.	\$23,322 Overrecovery
St. Joe Natural Gas Company	\$41,200 Underrecovery
South Florida Natural Gas Company	\$9 Underrecovery

We find that the appropriate levelized purchased gas cost recovery (cap) factors for the period January 2002 through December 2002 are as follows:

Chesapeake Utilities Corporation	109.142 cents per therm
City Gas Company of Florida	64.576 cents per therm
Florida Public Utilities	83.412 cents per therm
Indiantown Gas Company	86.159 cents per therm
Peoples Gas System	98.473 cents per therm
Sebring Gas System, Inc.	88.004 cents per therm
St. Joe Natural Gas Company	75.400 cents per therm
South Florida Natural Gas Company	98.183 cents per therm

We find that these factors shall be effective for all meter readings on or after January 1, 2002, beginning with the first or applicable billing cycle, for the period January 2002 through December 2002.

II. PEOPLES GAS' VOLUNTARY GRI FUNDING

The only disputed issue queried whether voluntary funding of the GRI surcharge should be recovered through the purchased gas adjustment clause as proposed by Peoples Gas System. Peoples Gas and OPC stipulated to the facts set forth below and addressed this issue in oral argument.

In 1998, the Federal Energy Regulatory Commission ("FERC") approved a settlement concerning funding of GRI. Peoples Gas and OPC stipulated that GRI provides efficient and effective research

and development of products, studies, and processes to the benefit of all natural gas consumers. Peoples Gas and OPC further stipulated that the work performed by GRI helps lower the cost of gas and improves the efficiency of its use. Prior to the FERC-approved settlement, all GRI research and development projects were funded through FERC-approved surcharges collected by interstate natural gas pipelines. Under the 1998 settlement, the former mandatory surcharges were to be phased out through 2004 to a voluntary system of charges by gas companies using the pipelines. By resolution in 1999, the National Association of Regulatory Utility Commissioners encouraged all of its members to continue to support a viable research and development program that benefits the natural gas industry and its customers.

Peoples Gas seeks recovery of voluntary payments made to GRI under this new regime. Although a specific issue was not raised in the 2000 purchased gas adjustment docket, this Commission approved recovery of similar voluntary payments made in 1999 - the first year such payments were voluntary - through our approval of Peoples Gas' 1999 final true-up amount in that docket. The parties have stipulated that recovery of voluntary payments to GRI will not be sought in future purchased gas adjustment dockets, commencing in 2001. Thus, only recovery of the amount of Peoples Gas' voluntary payments to GRI in 2000, \$166,400.18, is disputed in this proceeding.

Peoples Gas asserts that it made payments to GRI in 2000 because this Commission allowed recovery of similar voluntary GRI payments when we approved Peoples Gas' 1999 final true-up amount. Peoples Gas states that it is willing to forego recovery of voluntary GRI payments commencing in 2001 and will record any GRI voluntary funding expense in non-fuel O&M expenses for possible future recovery in a base rate proceeding. Peoples Gas argues, however, that because payments have already been made for 2000 in reliance on our prior decision, the payments for 2000 should be recoverable through the purchased gas adjustment clause.

OPC argues that these payments are voluntary and benefit Peoples Gas' stockholders as much as its ratepayers. Therefore, OPC asserts, Peoples Gas' stockholders, not its ratepayers, should make these payments. OPC also notes that Peoples Gas is the only company seeking recovery of these expenses in this docket.

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Because our decision in the 2000 purchased gas adjustment docket signaled to Peoples Gas that we would allow recovery of these types of payments, we find that Peoples Gas shall be allowed recovery of its voluntary GRI payments for 2000 through the purchased gas adjustment clause. Commencing with the 2001 cost recovery period, any GRI voluntary funding expense shall be recovered in non-fuel O&M expenses for possible future recovery in a base rate proceeding.

Based on the foregoing, it is hereby

ORDERED by the Florida Public Service Commission that the findings set forth in the body of this Order are hereby approved. It is further

ORDERED that the utilities named herein are authorized to collect the purchased gas adjustment amounts and utilize the factors approved herein effective with all meter readings on or after January 1, 2001, beginning with the first or applicable billing cycle for the period January 2002 through December 2002. It is further

ORDERED that Peoples Gas System's voluntary GRI payments for 2000 shall be recovered through the purchased gas adjustment clause, and, commencing with the 2001 cost recovery period, any GRI voluntary funding expense shall be recovered in non-fuel O&M expenses for possible future recovery in a base rate proceeding.

By ORDER of the Florida Public Service Commission this 7th day of December, 2001.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)
WCK/LHD

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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 after the issuance 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.