

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Indiantown  
Gas Company for approval of  
transition cost recovery charge  
and for approval of final  
purchased gas adjustment true-up  
credit.

DOCKET NO. 030462-GU  
ORDER NO. PSC-03-1109-PAA-GU  
ISSUED: October 6, 2003

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING TRANSITION COST RECOVERY AND  
REFUND OF FINAL PGA OVERRECOVERY

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.

BACKGROUND

In April 2000, we adopted Rule 25-7.0335, Florida  
Administrative Code (Gas Transportation Rule). The Rule required  
all local distribution companies (LDCs) to offer transportation  
service to all of its non-residential customers. The Rule further  
provided that natural gas utilities "may offer the transportation  
of natural gas to residential customers when it is cost effective  
to do so." At the time of our adoption of the new Gas  
Transportation Rule, Indiantown Gas Company (Indiantown or the  
Company) did not offer transportation service to any of its

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customers. On July 20, 2000, the Company filed a proposed transportation service tariff that was similar in form and substance to our model transportation tariff. By Order No. PSC-01-0070-TRF-GU, issued on January 9, 2001, in Docket No. 000904-GU, In Re: Filing of proposed rate schedule FLTS-1, Firm Local Transportation Service, by Indiantown Gas Company, we approved Indiantown's transportation service tariff.

On May 24, 2002, Indiantown filed a petition seeking our approval of its proposal to exit the merchant function and transfer all remaining sales customers to transportation service. As proposed, Indiantown would implement the unbundling process in three phases. Phase One would be for a two-year period where all remaining residential and non-residential sales customers would receive gas supply service through one qualified Pool Manager, selected by the Company through a Request for Proposals (RFP) process. Phase Two would expand the choices available. The Company would retain, through a RFP process similar to that used in Phase One, a minimum of two Pool Managers. Customers would have the ability to choose between the two Pool Managers. Phase Three would completely transition customers to a fully competitive marketplace.

By Order No. PSC-02-1655-TRF-GU, issued November 26, 2002, in Docket No. 020471-GU, In Re: Petition for authority to convert all remaining sales customers to transportation service and to terminate merchant function by Indiantown Gas Company, we approved Phase One of Indiantown's proposal as an experimental and transitional pilot program pursuant to Section 366.075, Florida Statutes, for a two-year period. Near the end of the initial two-year period, the Company will evaluate customer acceptance of the program, assess its own capabilities to expand program options, and make a determination of the feasibility and timing for initiating Phase Two. Indiantown will also report the results of Phase One, and the customer education and implementation plan for Phase Two. After submitting the report, Indiantown will petition this Commission for approval to start implementing Phase Two.

The order further stated that Indiantown would no longer participate in the Purchased Gas Adjustment (PGA) Clause and would be required to file a petition to dispose of its final PGA true-up.

On May 28, 2003, Indiantown filed a petition for approval of its final purchased gas adjustment, and also requested approval of a transition cost recovery charge. This Order addresses Indiantown's petition.

We have jurisdiction over this matter pursuant to several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

#### REFUND OF FINAL PGA OVERRECOVERY

Indiantown has proposed to refund the final Purchased Gas Adjustment (PGA) overrecovery balance to all its customers who received sales service during 2002. The Company's final PGA balance, including interest and audit adjustments, is a \$36,743 overrecovery. Given the relatively small amount involved, the Company proposes to refund the PGA true-up to various customer classes through a credit issued on the September 2003, bills.

However, the Company has identified one customer that will not receive a refund. Since August 1, 2001, Louis Dreyfus/Caulkins Citrus Plant has been a transportation customer and did not receive sales service in 2002. Accordingly, the Company is not proposing to allocate any of the PGA refund to this customer.

The Company proposes to allocate the PGA refund to the various customer classes on the basis of their therm consumption to total consumption during 2002, with the exception of the Louis Dreyfus/Caulkins Citrus Plant since it received transportation service throughout the year. The final PGA refund of \$36,743 is hereby approved.

#### TRANSITION COST RECOVERY

On May 28, 2003, Indiantown filed a petition seeking to recover \$55,049 of costs incurred in transitioning its customers to transportation service. The utility filed a revised petition on August 27, 2003, in which it amended its request to \$48,742, to remove legal fees and computer costs that were not directly related to the transition.

The Company proposes to allocate these transition costs to its customer classes on the basis of their respective therm consumption to total consumption in 2002.

NET EFFECT

For ease of implementation, administrative efficiency, and to avoid customer confusion, the Company proposes to accomplish both the Transition Cost Recovery (TCR) and PGA True-Up refund via a single line item adjustment to customers' bills. Based on the allocation of the PGA overrecovery and the transition cost recovery charge, every customer but the Citrus Plant will receive a net credit on their September 2003 bill. The Louis Dreyfus/Caulkins Citrus Plant will be charged its share of the TCR costs without a PGA credit since it received transportation service throughout 2002. This customer's charge is \$22,158, which the Company proposes to collect via 24 equal monthly payments of \$923 without interest on the outstanding balance.

The following chart reflects the Company's proposed allocation of costs:

Customer Class	(1) PGA	(2) TCR	(3) (1) + (2) Difference	(4) # of Customers	(5) (3) / (4) Net (\$/Customer)
Residential	(\$ 2,055)	\$ 1,501	(\$ 554)	660	(\$ 0.84)
Commercial	(\$ 1,723)	\$ 1,258	(\$ 465)	22	(\$ 21 )
Citrus Plnt	\$ 0	\$22,158	\$22,158	1	*\$ 923
Cogen Plant	(\$32,965)	\$24,069	(\$ 8,896)	1	(\$8,896)
TOTAL	(\$36,743)	**\$48,986	\$12,243	684	

\*Amount per month for 24 months.

\*\*Amount of \$48,742 grossed up for Regulatory Assessment Fees of .5% (\$48,742 X 1.005 = \$48,986).

We have performed a detailed analysis of the costs, and allocation methodology proposed by the Company. Based on this analysis, we find that the Company's revised costs of \$48,742 are hereby approved and that the costs shall be allocated as proposed by the Company.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that Indiantown Gas Company's request to refund the final Purchased Gas Adjustment (PGA) overrecovery balance of \$36,743 is hereby approved as set forth in the body of this Order. It is further

ORDERED that Indiantown Gas Company's request to recover its costs of \$48,742 incurred in transitioning to transportation service is hereby approved as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 6th Day of October, 2003.

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 )

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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 that is available under Section 120.57, 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 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 27, 2003.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.