

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Purchased gas adjustment (PGA) true-up. | DOCKET NO. 050003-GU
ORDER NO. PSC-05-1028-PCO-GU
ISSUED: October 21, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR

ORDER APPROVING MID-COURSE CORRECTION

BY THE COMMISSION:

BACKGROUND

The Commission has adopted a method for recovery of purchased gas costs by regulated natural gas utilities by means of a levelized Purchased Gas Adjustment (PGA) factor to serve as a cap, or maximum recovery factor, for each calendar year commencing January 1 through December 31. The Commission has also adopted a method by which a utility may, at its option, request a mid-course correction if revised projected expenses for the remainder of the period significantly exceed projected revenues as calculated under the Commission approved cap.¹ The Commission has previously approved mid-course corrections to the PGA cap for several utilities when the amount of projected under recovery was substantial.²

¹ See, Order No. PSC-93-0708-FOF-GU, issued May 10, 1993, in Docket No. 930003-GU, In Re: Notice of Proposed Agency Action Order Establishing Annual Purchased Gas Cost Recovery Hearing

² See, Order No. PSC-00-1910-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Chesapeake Utilities Corporation Mid-Course Correction, Order No. PSC-00-1422-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up City Gas Company of Florida Mid-Course Correction, Order No. PSC-00-2137-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Florida Public Utilities Mid-Course Correction, Order No. PSC-00-1524-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Peoples Gas System Mid Course Correction, Order No. PSC-00-1909-PCO-GU, issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up Indiantown Gas Company Mid Course Correction, Order No. PSC-00-2138-PCO-GU issued February 19, 2001, in Docket No. 010003-GU, In Re: Purchased Gas Adjustment (PGA) True-up St. Joe Natural Gas Company Mid-Course Correction.

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FPSC-COMMISSION CLERK

By Order No. PSC-04-1182-FOF-GU, issued December 1, 2004, we approved a PGA factor for each investor-owned natural gas utility for calendar year 2005. Thereafter, on September 9, 2005, Peoples Gas System (Peoples Gas or the company) filed a petition for approval to increase its current PGA cap from \$0.99037 to \$1.50017 per therm due to increasing natural gas prices. We have jurisdiction under Sections 366.04, 366.05, and 366.06, Florida Statutes. As explained in detail below, we approve Peoples Gas' proposed PGA cap of \$1.50017 per therm, effective for all meter readings taken on or after October 4, 2005. The new cap shall remain in effect through December 31, 2005. The company has indicated that it will include a statement on its customers' bills that explains the change in the PGA cap because of increasing natural gas prices resulting from weak natural gas supply production and the effects of catastrophic hurricanes this Summer.

DECISION

Order No. PSC-04-1182-FOF-GU, established Peoples Gas' PGA cap for the period January 1, 2005 through December 31, 2005 of \$0.99037 per therm. The factor was derived by dividing projected purchased gas costs of \$150,273,520 by projected therm sales of 152,875,591, for the 2005 recovery period. At present Peoples Gas projects that it will have an under recovery of \$14,297,993 for the current recovery period. The proposed increase in the PGA cap to \$1.50017 per therm for October 4, 2005 through December 31, 2005, will not eliminate the full amount of the projected under recovery, but it will reduce the amount of gas costs to be included in the projected January 2006 through December 2006 recovery period. Increasing the PGA cap from \$0.99037 to \$1.50017 per therm for the remainder of this recovery period will result in an increase of \$12.75 per month for residential customers using 25 therms if actual natural gas costs require the company to increase its PGA to the proposed new cap.

Peoples Gas' purchased gas costs have increased because the price of natural gas has increased very substantially during recent months. Since we approved Peoples Gas' PGA cap in December 2004, several circumstances have combined to create an extraordinary environment for natural gas prices. High oil prices and weak natural gas supply production have contributed significantly to an unprecedented increase in natural gas costs on a national basis. Catastrophic hurricanes this Summer have exacerbated supply production problems in the Gulf of Mexico. The full scope of the hurricane damage and the effect on natural gas prices may not be known for some time. In addition, the gas market has depended heavily on natural gas storage inventories to replace interrupted supplies this Summer. The storage inventories are traditionally reserved for winter peaking demand. Over the next several weeks the market will attempt to replenish those inventories, thus putting further pressure on natural gas prices.

In light of these circumstances, we approve the requested mid-course correction to become effective for all meter readings taken on or after October 4, 2005, and to remain in effect through December 31, 2005. Peoples Gas has agreed to include a statement on its customers' bills explaining the reasons for the change in the PGA cap.

While there is not time to conduct a prudence review of Peoples Gas's revised projections of purchased gas costs before the mid-course correction is implemented, the Commission will conduct a prudence review in preparation for the hearing in Docket No. 050003-GU, scheduled

for November 2005. If the increase in the PGA cap is ultimately found imprudent, Peoples Gas's ratepayers will not be harmed, since any imprudent costs will be disallowed for recovery and will be returned to the ratepayers through the PGA true-up mechanism.

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that the Petition for approval of a mid-course correction in its purchased gas adjustment cap by Peoples Gas System is granted, effective October 4, 2005. It is further

ORDERED that this docket shall remain open for further proceedings.

By ORDER of the Florida Public Service Commission this 21st day of October, 2005.

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

By:



Kay Flynn, Chief
Bureau of Records

(S E A L)

MCB

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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 or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.