

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Central Florida Gas Company for approval of a flexible interruptible rate methodology.)	DOCKET NO. 881118-GU
)	ORDER NO. 20540
)	ISSUED: 1-3-89

The following Commissioners participated in the disposition of this matter:

KATIE NICHOLS, Chairman
 THOMAS M. BEARD
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER DENYING APPROVAL OF FLEXIBLE INTERRUPTIBLE RATE 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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On August 25, 1988, Central Florida Gas Company (CFGC or utility) filed its petition for approval of a flexible interruptible rate methodology. CFGC is a natural gas distribution company which purchases natural gas from an interstate pipeline supplier and delivers gas to approximately 6,000 customers.

In its petition, the utility stated that its proposal would allow it to establish interruptible rates based on competition with alternate fuels, and would provide for firm customers to share 75% and the utility to share 25% of any interruptible revenue credit or debit imbalance. The utility indicated that its proposal was intended to preserve sales and contributions to fixed costs, insulate firm customers from widely fluctuating cost allocations due to lost interruptible load or margins to oil, reduce the utility's dependence on oil price-sensitive load, provide the utility with incentives to aggressively seek increased industrial sales, and reduce the frequency of filing for increases in base tariff rates. These goals appear partially conflicting, in that the utility seeks an incentive to increase the load upon which it proposes to reduce dependence.

On November 10, 1988, Staff held a Flexible Rate Design Workshop which was attended by representatives of CFGC. The utility's response to a data request distributed by Staff explained that "the purpose of Central Florida's flexible rate proposal does not pertain to the recovery of lost flex revenues," but that the utility wished to flex its non-fuel rates up and down at its discretion, based on "competitive forces at work in the marketplace." This proposal goes far beyond the flexible rate provisions we have approved in the past.

DOCUMENT NUMBER-DATE

00037 JAN-3 1989

FPSC-RECORDS/REPORTING

ORDER NO. 20540
DOCKET NO. 881118-GU
PAGE 2

In Order No. 14965, dated September 17, 1985, we approved a flex rate provision for Peoples Gas System, Inc., Gulf Natural Gas Corporation, and Central Florida Gas Corporation (now Central Florida Gas Company). In that order, we authorized those utilities to file "Contract Interruptible Service Class" Tariffs under which the utility could offer a contract rate as low as the cost of gas, plus applicable customer charges, conservation cost recovery charges, franchise fees and taxes, in order to compete with alternate fuels. Each utility was to absorb the revenue loss resulting from such flexible pricing. It was not our intention to allow recovery of lost revenues resulting from changes in the volume of sales or any outside influences other than price competition from alternate fuels, as proposed by CFGC herein. Such changes are best addressed in rate case proceedings. The utility's proposal amounts to a rate of return clause, and as such, we will not approve it.

We do not, however, disapprove of the concept of recovery of lost flex revenues. For example, in Docket No. 881341-GU we recently approved a competitive rate adjustment clause and corresponding rate schedule modifications for Peoples Gas System, Inc., which will allow that utility to flex its contract interruptible rate up or down in order to compete with alternate fuels. Any resulting shortfall or excess in interruptible revenues will be collected from or refunded to non-contract ratepayers. The approved clause and rate schedules meet our concerns that any change to flexible rate provisions be equitable to all parties, including flexing and non-flexing ratepayers and shareholders, that it be limited to deal only with the refund or recovery of revenues that result from applying a rate other than the interruptible tariff rate, and that the provision not be designed to allow recovery of lost revenues that result from changes of volume of sales or other outside influences.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Flexible Interruptible Rate Methodology proposed by Central Florida Gas Company is denied. It is further

ORDERED that this docket be closed if no objection or protest is filed on or before January 24, 1989.

BY ORDER of the Florida Public Service Commission,
this 3rd day of JANUARY, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MER

ORDER NO. 20540
DOCKET NO. 881118-GU
PAGE 3

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 24, 1989. In the absence of such a petition, this order shall become effective January 25, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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 January 25, 1989, 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 sewer 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.