

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment)	DOCKET NO. 900003-GU
True-Up.)	ORDER NO. 22584
)	ISSUED: 2-21-90

Pursuant to Notice, a Prehearing Conference was held on February 12, 1990, in Tallahassee, before Commissioner John T. Herndon, Prehearing Officer.

APPEARANCES:

Robert S. Goldman, Esquire, Messer, Vickers, Caparello, French, Madsen & Lewis, P.O. Box 1876, Tallahassee, Florida 32302-1876
On behalf of Florida Public Utilities Company, West Florida Natural Gas Company and Southern Gas Company

Lee L. Willis, Esquire, and James D. Beasley, Esquire, Ausley, McMullen, McGehee, Carothers and Proctor, P.O. Box 391, Tallahassee, Florida 32302
On behalf of City Gas Company of Florida

Wayne L. Schiefelbein, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308
On behalf of Central Florida Gas Company and Plant City Natural Gas Company

Ansley Watson, Jr., Esquire, MacFarlane, Ferguson, Allison & Kelly, P.O. Box 1531, Tampa, Florida 33601
On behalf of Peoples Gas System, Inc.

Marsha E. Rule, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida, 32399-0863
On behalf of the Commission Staff

Prentice P. Pruitt, Esquire, Office of the General Counsel, 101 East Gaines Street, Tallahassee, Florida, 32399-0861
Counsel to the Commissioners

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PREHEARING ORDER

Background

As part of the continuing fuel and energy conservation cost recovery proceedings, a hearing is set for February 21-23, 1990, in this docket and in Dockets Nos. 900001-EI and 900002-EG. The following subjects were noticed for hearing in such dockets:

1. Determination of the Proposed Levelized Fuel Adjustment Factors for all investor-owned utilities for the period April, 1990 through September, 1990;
2. Determination of the Estimated Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period October, 1989 through March, 1990, which are to be based on actual data for the period October, 1989 through November, 1989, and revised estimates for the period December, 1989 through March, 1990;
3. Determination of the Final Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period April, 1989 through September, 1989, which are to be based on actual data for that period;
4. Determination of the Projected Conservation Cost Recovery Factors for certain investor-owned electric and gas utilities for the period April, 1990 through September, 1990;
5. Determination of the Estimated Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period October, 1989 through March, 1990, which are to be based on actual data for the period October, 1989 through November, 1989, and revised estimates for the period December, 1989 through March, 1990;
6. Determination of the Final Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period April, 1989 through

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- September, 1989, which are to be based on actual data for that period;
7. Determination of any Projected Oil Backout Cost Recovery Factors for the period April, 1990 through September, 1990, for the cost of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code;
 8. Determination of the Estimated Oil Backout Cost Recovery True-Up Factors for the period October, 1989 through March, 1990, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code, which are to be based on actual data for the period October, 1989 through November, 1990, and revised estimates for the period December, 1989 through March, 1990;
 9. Determination of the Final Oil Backout True-Up Amounts for the period April, 1989 through September, 1989, which are to be based on actual data for that period;
 10. Determination of Generating Performance Incentive Factor Targets and Ranges for the period April, 1990 through September, 1990;
 11. Determination of Generating Performance Incentive Factor Rewards and Penalties for the period April, 1989 through September, 1989; and
 12. Determination of the Purchased Gas Adjustment True-Up Amounts for the period April, 1989 through September, 1989, to be recovered during the period April, 1990 through September, 1990.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each

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witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

If any party seeks to introduce an interrogatory or a deposition, or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions, subject to the same conditions.

Order of Witnesses

The witness schedule is set forth below in order of appearance by the witness' name, subject matter, and the issues which will be covered by his or her testimony.

Witnesses whose names are preceded by an asterisk (*) have been excused. The parties have stipulated that the testimony of such witnesses will be inserted into the record as though read, and cross-examination will be waived.

(Direct)

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
*1. A. Ingber (CFGC)	PGA Factor	1-3
*2. A. Ingber (PCNG)	PGA Factor	1-3
*3. Wayne Makin (Staff)	Recovery of pass through take-or-pay costs	4

EXHIBIT LIST

The parties have stipulated that exhibits marked with an asterisk (*) will be inserted into the record by agreement.

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<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
* _____ (AI-)	Ingber (CFGC)	Schedules A-1, A-2, and A-3 Supplement
* _____ ()	None (CGC)	Preliminary PGA True-Up Reports and Summary for the Six Month period April 1989 -September 1989, filed November 15, 1989
* _____ ()	None (CGC)	Schedules A-1 and A-2, Attached as Exhibit "A" to City Gas' 1-9-90 Petition for Approval of PGA True-Up Factor for Application to Bills to be Rendered During the Period April 1990 through Sept. 1990
* _____ ()	None (FPUC)	Schedules A-1, A-2 A-3 Supplement and A-6
* _____ ()	None (PGS)	Calculation of PGA true-up factor
* _____ ()	Ingber (PCNG)	A-1, A-2 PGA Factor A-3 Supplement
* _____ ()	None (SGC)	Schedule A-1, A-2, A-3 Supplement, and A-6
* _____ ()	None (WFNG)	Purchased Gas Adjustment Clause Calculation of True-up Factor
* _____ ()	None (WFNG)	Purchased Gas Adjustment Summary Calculation of True-up

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	<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
*	()	None (WFNG)	Therm Sales
*	()	None (WFNG)	Derivation of Unaccounted for Gas
*	()	None (WFNG)	Report of Take- or-Pay Charges Paid to Florida Gas Transmission (FGT) and Collected Through Sales to Our Natural Gas Customers

PARTIES' STATEMENTS OF BASIC POSITIONS

Staff:

The appropriate PGA true-up amounts, estimated therm sales, and true-up factors for each utility are listed in Attachment A hereto. Further, Staff believes that the Purchased Gas Adjustment for firm and interruptible customers of local distribution companies should include recovery of pass through take-or-pay costs billed by Florida Gas Transmission Company for payments made to Southern Natural Gas Company.

Central Florida Gas Company (CFGC):

The Commission should approve the final true-up amount for the period April 1, 1989 through September 30, 1989, and the true-up factor to be applied to bills rendered for meter readings taken between April 1, 1990 and September 30, 1990.

City Gas Company of Florida (CGC):

City Gas asserts that its PGA true-up calculation, including the true-up factor for application to bills to be rendered during the period April 1990 through September 1990 is correct and should be approved by the Commission.

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Florida Public Utilities Company (FPUC):

The Commission should approve the Company's PGA factor of .524 cents per therm, to be applied to customer bills during the period April 1, 1990 through September 30, 1990, so as to refund the Company's overrecovery of \$166,817 for the period April 1, 1989 through September 30, 1989.

Peoples Gas System, Inc. (PGS):

The Commission should approve, as filed by PGS, PGS's PGA true-up amount for the period April 1 through September 30, 1989 of \$576,703 (underrecovery), and should approve a true-up factor of \$0.00257 per therm for application by PGS during the period April 1, 1990 through September 30, 1990.

Plant City Natural Gas Company (PCNG):

The Commission should approve the final true-up amount for the period April 1, 1989 through September 30, 1989, and the true-up factor to be applied to bills rendered for meter readings taken between April 1, 1990 and September 30, 1990.

Southern Gas Company (SGC):

The Commission should approve a Southern Gas Company PGA factor of .177 cents per therm, to be applied to customer bills during the period April 1, 1990 through September 30, 1990, so as to refund the Company's overrecovery of \$52,445 for the period April 1, 1989 through September 30, 1989.

West Florida Natural Gas Company (WFNG):

The Commission should approve a West Florida Natural Gas Company PGA factor of 1.782 cents per therm, to be applied to customer bills during the period April 1, 1990 through September 30, 1990, so as to refund the Company's overrecovery of \$310,617 for the period April 1, 1989 through September 30, 1989.

STATEMENT OF ISSUES AND POSITIONS

Stipulated issues are indicated with an asterisk (*).

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- *1. STIPULATED ISSUE: What is the appropriate net true-up amount for the period April, 1989 through September, 1989?

The appropriate true-up amounts are shown on Attachment A hereto. Further, Gainesville Gas Company has withdrawn its petition in this docket. The utility was sold to the City of Gainesville, and a recommendation is pending which would remove the utility from this docket.

- *2. STIPULATED ISSUE: What is the projected therm sales of natural gas during the period April, 1990 through September, 1990?

The appropriate therm sales projections are shown on Attachment A hereto. Further, Gainesville Gas Company has withdrawn its petition in this docket. The utility was sold to the City of Gainesville, and a recommendation is pending which would remove the utility from this docket.

3. ISSUE: What is the appropriate true-up factor for application on customer bills during the April, 1990 through September, 1990 period?

Staff: The appropriate true-up factors are shown on Attachment A hereto. Further, Gainesville Gas Company has withdrawn its petition in this docket. The utility was sold to the City of Gainesville, and a recommendation is pending which would remove the utility from this docket.

Staff disagrees with Southern Gas Company's proposed true-up factor shown below because it would allow the utility to collect a claimed net underrecovery of \$76,493.41 which resulted from accounting errors prior to March, 1987. (See Issue 5.)

Southern: .066 ¢/therm.

- *4. STIPULATED ISSUE: Should the Purchased Gas Adjustment (PGA) for firm and interruptible customers of Local Distribution Companies (LDCs) include recovery of pass through take-or-pay costs billed by Florida Gas Transmission Company (FGT) for payments made to Southern Natural Gas Company (SONAT)? (Staff)

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Yes. All customers of the LDCs should share in the take-or-pay costs billed by FGT and recovered through the PGA Clause. In the Federal Energy Regulatory Commission (FERC) Docket No. RP88-253-000, FGT proposed to implement procedures to flow through to only its firm sales customers those fixed take-or-pay charges billed to it by SONAT in Docket Nos. RP88-96, RP88-210, and RP88-229. SONAT allocated the take-or-pay costs based on its customers' firm purchase deficiencies. FGT's allocated share of SONAT's take-or-pay costs, not including interest, is over \$30 million, to be recovered through a fixed monthly payment over a five year period.

FGT proposed to recover these costs through a fixed take-or-pay charge allocated only among its firm sales customers. On October 28, 1988, the FERC accepted and suspended FGT's proposal, conditioned upon FGT filing revised tariff sheets to reflect the inclusion of interruptible customers in the allocation of the flow through of take-or-pay costs. The FERC's requirement that FGT allocate a portion of these costs to its interruptible customers was, in part, based on this Commission's intervention and position that all customers share in the take-or-pay costs, and that an exception to the as-billed policy was justified in the case of FGT. The FERC stated that its general requirement in Order No. 500 that these costs be allocated only to firm sales customers is based on the assumption that pipelines acquire long-term supplies in order to serve their firm customers, and accordingly, that take-or-pay obligations were incurred primarily to serve those customers. However, in this case, the FERC found that this factual assumption does not apply. FGT's system was originally built and was certificated by the FERC primarily to serve interruptible transportation and sales markets in Florida, and it continues to serve a primarily interruptible market. Accordingly, the FERC concluded that FGT's interruptible sales customers should pay an equitable share of its take-or-pay costs.

LEGAL ISSUE

5. ISSUE: Should Southern Gas Company be permitted to recover \$76,493.41 in purchased gas costs and interest,

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which amount is due to prior errors in accounting for gross receipts taxes and regulatory assessment fees and consists of: (1) an underrecovery of \$79,923.26 for the period April, 1986 through September, 1986, reduced by (2) and overrecovery of \$3,429.85 for the period October, 1986 through March, 1987? (Southern Gas)

STAFF: No.

SOUTHERN GAS: Yes.

STIPULATED ISSUES

Issues 1, 2 and 4 are fully stipulated. Issue 3 is stipulated as to all parties except Southern Gas Company. Issue 5 is a legal issue and thus no witnesses will present testimony.

MOTIONS

None at this time.

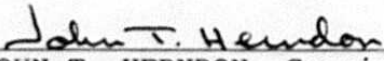
OTHER MATTERS

Pursuant to written request therefor, Metropolitan Dade County, an intervenor in this docket, is hereby removed from intervention in this docket.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner John T. Herndon, Prehearing Officer, this 21st day of FEBRUARY, 1990.



 JOHN T. HERNDON, Commissioner
 and Prehearing Officer

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ATTACHMENT A
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PGA True-up Factors for the period April 1, 1989 through September 30, 1989
 to be applied during the period April 1, 1990 through September 30, 1990

	Over (Under) Recovery	Estimated Therm Sales	True-up Factor Cents per Therm
Central Florida Gas Company	\$65,720	29,779,830	(0.221)
City Gas Company of Florida	\$541,235	35,328,000	(1.532)
Florida Public Utilities	\$166,817	31,827,760	(0.524)
Gainesville Gas Company	(\$102,503)	13,448,891	0.762
Indiantown Gas Company	\$21,379	1,300,000	(1.645)
Miller Gas Company	\$24,944	2,670,000	(0.934)
Palm Beach County Utilities Corp.	\$17,716	1,100,000	(1.611)
Peoples Gas System	(\$576,703)	224,300,000	0.257
Plant City Natural Gas	\$53,944	5,631,138	(0.958)
St. Joe Natural Gas Company	\$14,031	7,000,000	(0.200)
South Florida Natural Gas Co.	\$8,020	1,411,500	(0.568)
Southern Gas Company	\$56,813	29,629,000	(0.192)
West Florida Natural Gas Co.	\$310,617	17,435,537	(1.782)