FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

March 21, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (BULECZA-BANKS, MAKIN, MILLS RENDELL, McCORMICK)

DIVISION OF AUDITING AND FINANCIAL ANALYSIS (CAUSSEAUX, LEE, SALAK)

DIVISION OF LEGAL SERVICES (PALECKI)

RE : DOCKET NO. 910220-GU - NOTICE OF CHANGE OF OWNERSHIP OF ASSETS OF MILLER GAS COMPANY BY CITY GAS COMPANY OF FLORIDA.

AGENDA: APRIL 2, 1991 - CONTROVERSIAL AGENDA - PROPOSED AGENCY ACTION

PANEL: FULL COMMISSION

CRITICAL DATES: APRIL 26, 1991 - 60 DAY PERIOD ENDS

CASE BACKGROUND

On February 19, 1991, City Gas acquired all of the natural gas assets of Miller Gas Company and assumed the obligation to serve all customers in the territory then served by Miller Gas. As a result of the asset purchase, Miller Gas as an entity, no longer exists. In addition, City Gas acquired the assets of Consolidated Gas Company of Florida, Inc. Consolidated operated an underground LP system in Dade county. City Gas intends to convert this underground system to natural gas.

Miller Gas previously served approximately 4,434 residential customers, 75 commercial customers, and 1 large interruptible customer. Miller Gas generated approximately $713,000 of base rate revenue annually. City Gas, the second largest natural gas utility serves approximately 75,487 residential customers, 4255 commercial customers and 28 interruptible customers. City Gas generates approximately $21,000,000 of base rate revenue annually.

Miller Gas was scheduled to file Minimum Filing Requirements on March 29, 1991 (Docket No. 900900-GU). Staff has prepared a separate recommendation to close this docket.

On February 25, 1991, City Gas Company petitioned the Commission for authority to apply the rates, rules, classifications and regulations recently approved for City Gas in Docket No. 891175-GU (Order No. 24013, dated January 23, 1991) in lieu of the rates being charged under Miller Gas' current tariff.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission on an interim basis approve City Gas Company's petition to apply its Commission-approved tariffs to customers formerly served by Miller Gas Company?

RECOMMENDATION: Yes. On an interim basis City Gas should be permitted to apply its tariffs to customers formerly served by Miller Gas Company.

STAFF ANALYSIS: City Gas Company purchased the natural gas assets of Miller Gas Company on February 19, 1991. As a result of the asset purchase, City Gas has petitioned the Commission to approve the application of its tariffs to customers formerly served by Miller Gas Company.

When the assets of one natural gas utility are purchased by another natural gas utility, Staff prefers the existing company to operate the former company for one year before seeking rate relief. After one year of operation, the existing company is more knowledgeable about the physical system, as well as, the costs associated with operating the system. In this case however, Staff recommends interim approval of the Company's petition to apply its rates to the former customers of Miller Gas. Staff recommends however that the permanent rate schedules submitted by City Gas for its former Miller Gas customers be suspended in order to give Staff the opportunity to adequately and thoroughly examine the evidentiary basis for the new rates. The reasons Staff recommends acceptance of the petition on an interim basis are enumerated below.

1. City Gas Company and the former Miller Gas Company both operate in the Miami area. In fact, in one area, customers on one side of the street are City Gas customers, and the customers on the other side are former Miller Gas customers. If this tariff is not approved, former Miller Gas customers will have different rates from their neighbors. This inconsistency could result in confusion to the customers. To

alleviate the confusion in rates, all customers should be billed on the same basis.

2. City Gas Company is currently in the process of physically connecting the two systems together. Once the two systems are physically connected, City Gas and the former Miller Gas will incur an identical weighted average cost of gas. Although the prior true-ups for the companies differ, on a prospective basis, the gas costs will be identical. (The specific impact of the true-up amounts is addressed later.)

3. Certain economies of scale can be expected from City Gas operating a billing system with one set of rates, rather than two.

4. The difference between City Gas' rates and the existing tariff rates of Miller Gas is minimal. The following discussion addresses the three tariffed rates which will impact the former customers of Miller Gas.

Base Rates - As shown on Attachment 1, the base rates are not materially different for City Gas and the former Miller Gas. The increase in base rates of the former Miller Gas customers will generate an additional $55,728 for City Gas. The commercial class will receive a decrease in rates ($ -12,461) while the residential and interruptible large volume will receive increases ($10,170 and $58,019 respectively). For the average residential customer using 25 therms per month, the increase will equate to an additional $0.27 per month. The average commercial customers using 800 therms per month will receive a decrease of $17.52 dollars per month. The greatest impact of the application of City Gas' rates falls upon the one interruptible large volume customer, Metro-Date Water and Sewer Authority (WASA). Under the current Miller tariff, WASA pays a customer charge of $20 and an energy charge of 7.5 cents per therm. However, WASA has applied to City Gas for interruptible service at its Hialeah plant. City Gas quoted WASA its large volume interruptible rate consisting of a customer charge of $150 per month and an energy charge of 9.247 cents per therm which WASA accepted. The contract and gas service request are presently awaiting approval by the Dade County Commission.

Purchased Gas Adjustment - Both City Gas and the former Miller Gas have experienced over recoveries related to purchased gas. The current Commission approved true-up factors for City Gas and Miller for the period April 1991 through September 1991 are -0.798 and -1.125 cents per therm, respectively.

Combining the true-ups and dividing by projected therm sales would yield a PGA true-up of -.818 cents per therm to be applied through September 30, 1991.

Applying the combined PGA true-up factor to the former Miller Gas Customers results in monthly increases to the average residential customer, average commercial customer, and the single interruptible customer of $0.11, $3.46, and $345.60, respectively.

Energy Conservation Cost Recovery (ECCR) - City Gas customers are currently participating in the ECCR, while the former Miller Gas customers are not. In Docket 910002-EG, City Gas was granted ECCR true-up factors for residential and commercial customers of 5.323 and 1.519 cents per therm, respectively, to be applied to customer bills during the period April 1991 through September 1991. Because the ECCR factor is based on projected expenditures, former Miller Gas customers would not be subject to payment of past expenses for which they received no benefit. Because they are now City Gas customers, however, they are eligible to participate in City Gas' conservation programs. If the ECCR factor is not applied to the former Miller Gas customers, they will be allowed to benefit from conservation programs without sharing in the payment of the cost of those programs. The customers will however be subject to the past over and under recoveries which make up only a very minor part of the ECCR factor. City Gas has a current under recovery of $3,490. Staff recommends that the former Miller Gas customers should be immediately eligible for all City Gas conservation programs if City Gas is allowed to apply its ECCR factor to their bills.

Applying City Gas' conservation tariff to the former Miller Gas customers results in a monthly increase to the average residential customer, average commercial customer and the single interruptible customer, of $1.33, $12.15, and $0, respectively. The interruptible customer is not impacted by the ECCR factor as they are exempt from this tariff.

Total Impact of Application of Tariffed Rates - Attachment 1 details the full impact of all tariffed rates. As shown on the attachment, an average residential customer using 25 therms per month will pay an additional $2.38 per month for service. An average commercial customer using 800 therms per month will experience a increase in his bill of $19.70 per month. WASA, the single interruptible large volume customer will experience a $4,034.80 increase per month.

ISSUE 2: What should the effective date be to implement the application of City Gas' tariffed rates to the former Miller Gas customers?

RECOMMENDATION: The effective date should be thirty days after the Commission vote. The new rates should be applied on an interim basis, with final action to be taken after a hearing if one is held, or a later agenda after more detailed analysis has been completed.

STAFF ANALYSIS: The rate increase requested appears to be justified based upon the limited analysis staff has been able to complete at this time. In addition the requested increase is small and affects a small number of customers. Therefore, Staff believes the rates should go into effect on an interim basis thirty days after the Commission vote. Further action should not be taken until a more detailed analysis has been completed by Staff.

Staff therefore recommends that any interim increase authorized by the Commission should be for bills rendered for meter readings taken on or after 30 days from the date of the Commission's decision.

ISSUE 3: Are there any specific requirements in which City Gas must comply?

RECOMMENDATION: Yes. There are six items in which City Gas should be required to comply with.

STAFF ANALYSIS:

1. Separate Mailing

The utility shall send a notice, approved by the Division of Electric and Gas of the Florida Public Service Commission to all affected customers containing:

a) A statement that the utility has applied for a rate increase and the general reasons for the request;

b) The time schedule established for the case, and the dates, times and locations of any proceedings that have been scheduled; and

c) A comparison of current rates and service charges and the proposed new rates and service charges.

2. Surveillance Reports

Natural gas utilities are required to file monthly surveillance reports to the Commission 45 days after month end. After approval of this tariff, City Gas should be required to file one consolidated surveillance report each month. However, because the surveillance reports are based on a 13-month average, Staff will not be able to determine the full impact of the assets obtained from Miller Gas. To alleviate this problem, the assets acquired from Miller Gas, along with the associated depreciation, should be separately stated in the "Commission Approved Adjustment" column as provided on the surveillance forms. Costs to interconnect the former Miller system with the City Gas system, and costs to convert the former Consolidated underground LP system to natural gas, should be shown as separate line items in the surveillance reports. City Gas should begin filing consolidated surveillance reports beginning with the 13-month period ending April 30, 1991.

3. One-time Filing Requirements

a) City Gas should be required to file the purchase contract and any supporting documents associated with the purchase of the natural gas assets of the former Miller Gas Company.

b) City Gas should be required to file a detailed breakdown of all natural gas assets purchased. This detail should include at a minimum, the type of asset purchased, the account in which City Gas has booked the asset, the historic cost, accumulated depreciation, and the associated depreciation rates.

c) City Gas should provide a report detailing the projected costs to physically interconnect its system to the system of the former Miller Gas Company. This report should be updated after the actual costs have been incurred.

d) City Gas should provide a detail of the projected costs to convert the former Consolidated underground LP system to natural gas. This report should be updated after the actual costs have been incurred.

e) City Gas should provide a report detailing the projected cost to convert former Miller Gas Company's natural gas customer's standard delivery pressure of 14.98 psia to City Gas' standard delivery pressure of 15.236 psia. A second report should be submitted after the actual cost has been incurred summarizing and totaling all associated cost. If City Gas decides not to change Miller's customers standard delivery pressure, a written procedure should be developed and submitted to include, at a minimum, the method that would differentiate between the pressure billing factors. This procedure also should provide a means of visually identifying the correct pressure at the customer's meter/regulator set.

4. Annual Reports

If this tariff is approved, City Gas should file consolidated annual reports beginning with calendar year 1991. This requirement applies to the FERC Form 2 (PSC/EAG 1) for financial reporting, and the RSPA F 7100-1-1 for reporting safety compliance.

5. Depreciation Study

City Gas must apply the former Miller Gas' depreciation rates to those assets purchased until such time as City Gas files a consolidated depreciation study. City Gas must file a depreciation study within one year of the approved consolidation. If this tariff filing is not approved, a depreciation study must be filed for Miller Gas Company on November 16, 1993, and a separate depreciation study filed for City Gas Company on February 8, 1994.

6. Therm Sales and Customer Data Report

If this tariff is approved, City Gas should file consolidated therm sales and customer data reports beginning with the April 30, 1991 reporting period.

ISSUE 4: Should these interim rates be held subject to refund?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Pursuant to Section 366.071 the difference between the interim rates and the previously authorized rates shall be collected under bond or corporate undertaking subject to refund with interest.

ISSUE 5: Should the docket remain open?

RECOMMENDATION: Yes.

Docket No. 910220-GU
March 21, 1991

STAFF ANALYSIS: This docket should remain open in order to give Staff the opportunity to adequately and thoroughly examine the additional documentation to be submitted by City Gas Company.

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Should the Commission approve City Gas Company's petition to apply its Commission-approved tariffs to customers formerly served by Miller Gas Company?

RECOMMENDATION: Yes. On an interim basis City Gas should be permitted to apply its approved tariffs to customers formerly served by Miller Gas Company.

ISSUE 2: What should the effective date be to implement the application of City Gas' tariffed rates to the former Miller Gas customers?

RECOMMENDATION: The effective date should be thirty days after the Commission vote. The new rates should be applied on an interim basis, with final action to be taken after a hearing, if one is held, or a later agenda after more detailed analysis has been completed.

ISSUE 3: Are there any specific requirements in which City Gas must comply?

RECOMMENDATION: Yes. There are six items in which City Gas should be required to comply with.

ISSUE 4: Should these interim rates be held subject to refund?

RECOMMENDATION: Yes.

ISSUE 5: Should the docket remain open?

RECOMMENDATION: Yes.

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ATTACHMENT 1
DOCKET NO. 910220-GU
MARCH 21, 1991

PURCHASE OF MILLER GAS BY CITY GAS
REVENUE AND RATE COMPARISON

	MILLER GAS				CITY GAS		DIFFERENCE	
RATE SCHEDULE	RATE	CUSTOMERS	USAGE	REVENUE	RATE	REVENUE	RATE	REVENUE
RESIDENTIAL								
CUSTOMER CHARGE	$6.00	4,434		$26,606	$6.00	$26,606	$0.00	$0
ENERGY CHARGE	34.170		946,938	$323,569	35.244	$333,739	1.074	$10,170
TOTAL				$350,174		$360,344		$10,170
COMMERCIAL								
CUSTOMER CHARGE	$12.00	75		$903	$12.00	$903	$0.00	$0
ENERGY CHARGE	19.960		568,989	$113,570	17.770	$101,109	(2.190)	($12,461)
TOTAL				$114,473		$102,012		($12,461)
INTERRUPTIBLE								
CUSTOMER CHARGE	$200.00	0		$0	$36.00	$0	($164.00)	$0
ENERGY CHARGE	13.250		0	$0	11.501	$0	(1.749)	$0
TOTAL				$0		$0		$0
INTERRUPTIBLE LARGE VOLUME								
CUSTOMER CHARGE	$20.00	1		$20	$150.00	$150	$130.00	$130
ENERGY CHARGE	7.500		3,313,616	$248,521	9.247	$306,410	1.747	$57,889
TOTAL				$248,541		$306,560		$58,019
TOTAL		4,511	4,829,543	$713,189		$768,917		$55,728

MILLER GAS			RESIDENTIAL	COMMERCIAL	INTERRUPTIBLE LARGE VOLUME
TYPICAL THERM USAGE			25	800	80,000
CUSTOMER CHARGE			$6.00	$12.00	$20.00
ENERGY CHARGE			$8.54	$159.68	$6,000.00
ECCR CHARGE	0.00000		$0.00	$0.00	$0.00
WACOG	0.23571		$5.[illegible]	$188.57	$18,856.80
PGA TRUE-UP	-0.01250		([illegible].31)	($10.00)	($1,000.00)
TOTAL			$20.12	$350.25	$23,876.80

CITY GAS					
CUSTOMER CHARGE			$6.00	$12.00	$150.00
ENERGY CHARGE			$8.81	$142.16	$7,397.60
ECCR CHARGE	0.05323	0.015[illegible]	$1.33	$12.15	$0.00
WACOG	0.27241		$6.81	$217.93	$21,792.80
PGA TRUE-UP	-0.00[illegible]		($0.20)	($6.38)	($638.40)
TOTAL			$22.75	$377.86	$28,702.00

CITY GAS (COMBINED TRUE-UP and WACOG)					
CUSTOMER CHARGE			$6.00	$12.00	$150.00
ENERGY CHARGE			$8.81	$142.16	$7,397.60
ECCR CHARGE	0.05323	0.01519	$1.33	$12.15	$0.00
WACOG	0.26273		$6.57	$210.18	$21,018.40
PGA TRUE-UP	-0.00818		($0.20)	($6.54)	($654.40)
TOTAL			$22.51	$369.95	$27,911.60

DIFFERENCE BETWEEN MILLER GAS AND CITY GAS COMBINED			
CUSTOMER CHARGE	$0.00	$0.00	$130.00
ENERGY CHARGE	$0.27	($17.52)	$1,397.60
ECCR CHARGE	$1.33	$12.15	$0.00
WACOG	$0.68	$21.62	$2,161.60
PGA TRUE-UP	$0.11	$3.46	$345.60
TOTAL	$2.38	$19.70	$4,034.80

FLORIDA PUBLIC SERVICE COMMISSION

FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FLORIDA 32399-0850

M E M O R A N D U M

May 30, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (McCORMICK, BULECZA-BANKS, MAKIN)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (SALAK, CAUSSEAUX, LEE)
DIVISION OF LEGAL SERVICES (PALECKI)

RE : DOCKET NO.: 910220-GU - NOTICE OF CHANGE OF OWNERSHIP OF ASSETS OF MILLER GAS COMPANY BY CITY GAS CO. OF FLORIDA

AGENDA: JUNE 11, 1991 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: NONE

CASE BACKGROUND

On February 19, 1991, City Gas Co. of Florida acquired all the natural gas assets of Miller Gas Company and assumed the obligation to serve all customers in the territory then served by Miller Gas. On February 25, 1991, City Gas Company petitioned the Commission for authority to apply the rates, rules, classifications and regulations recently approved for City Gas in Docket No. 891175-GU (Order No. 24013, dated January 23, 1991) in lieu of the rates being charged under Miller Gas' current tariff.

At the April 2, 1991 Agenda Conference, the Commission approved City Gas' proposal with the caveat that the new rates would be applied on an interim basis, with final action to be taken after a hearing if one was held, or a later agenda after more detailed analysis had been completed. No hearing was requested. A service hearing was held on May 16, 1991. One customer attended, Mr. Robert C. Ready for Miami Dade Water and Sewer Authority. (WASA)

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve on a permanent basis, City Gas Company's petition to apply its Commission-approved tariffs to customers formerly served by Miller Gas Company

PRIMARY RECOMMENDATION: Yes, uniform application of City Gas's rates should be approved because it does not have a material impact on residential or commercial customers, it avoids confusion among existing and new customers about slightly different rates, it avoids the unnecessary expense of maintaining duplicative billing systems and it is not opposed by the one large interruptible customer that is materially affected. (McCormick)

ALTERNATIVE RECOMMENDATION: No. Based on the analysis of revenue requirements and potential overearnings, City Gas' petition should be denied, and rates should remain separate until the Company's next rate case. (Bulecza-Banks)

STAFF ANALYSIS: It must be borne in mind that this petition was not filed as a revenue requirements issue. It should not be treated as such.

City Gas has proposed a sound, reasonable, common sense solution to a unique problem. Miller Gas' service territory was completely contained within City Gas' service territory. It was a small island within the larger utility. City Gas has physically interconnected the two systems and now has customers located side-by-side or across the street from one another, who receive gas through the same pipes, but are billed at different rates. City Gas is required to maintain two separate billing systems, a useless expense.

The difference in the base rate portion of residential and commercial customers' bills is inconsequential; slightly more than a 1% increase for residential customers and slightly less than a 5% decrease for commercial customers. The total revenue increase from residential customers is almost exactly offset by the decrease from commercial customers. No residential or commercial customers appeared at the May 16 service hearing in the former Miller Gas service territory. The impact on the one large interruptible customer, the Miami Dade Water and Sewer Authority (WASA) is significant. As mentioned, WASA did appear at the service hearing. Its comments will be discussed in Issue 2.

Residential customers will see a $0.27 increase in an approximately $20.00 monthly bill. Miller and City residential customer charges are the same, $6.00 per month. City's energy charge is $.3524 per therm; Miller's was $.3416. Applying those rates to average residential usage, 25 therms per month, yields the increase of twenty-seven cents. The weighted average cost of gas (WACOG) will be the same because the two systems are physically interconnected and will be billed at City's WACOG. Former Miller customers now see an ECCR charge, which they did not have under Miller, but they are also eligible to participate in conservation programs, which Miller did not have. The ECCR charge should remain, regardless of the Commission's decision here.

Commercial customers will see a slight reduction - $17.52 on an average monthly bill of $370 (800 therms). This will be tempered by an ECCR charge of $12.15, which they did not have under Miller Gas. But, they too, are eligible for City's conservation programs. Their decrease, disregarding the ECCR, is less than five percent. Including the ECCR charge, their bill will decrease less than 1.5%.

The options here seem to be three. First, City Gas could simply follow the requirements of Commission rules and adopt Miller Gas' previous rates and tariffs. Second, City could be authorized to apply its own rates to Miller's previous customers, resulting in approximately $72,000 additional revenue. Third, City Gas could be required to file MFRs for a reverse make whole proceeding.

The third option would benefit no one. In its last rate case (Docket 891175-GU), City Gas was authorized recovery of $355,297 in rate case expense. Similar or higher expense could be anticipated if the Company were required to file MFRs in this matter. So, striving to get rates right would increase everyone's rates.

That leaves a choice between the first and second options. If City had taken the first choice and simply filed tariffs adopting Miller rates, the Commission would have taken no action to reduce rates. Action would have been taken only if surveillance reports indicated that City Gas had begun to over earn. That can be done regardless of which rates are applied.

This matter comes down to a decision on whether to grant an admittedly not needed increase of about $72,000 in revenues. In City's rate case in Docket 891175-GU, total base rate revenues for the projected test year ended September 30, 1991 were estimated to be $21,499,714. The $72,000 increase is about three tenths of one percent, which is not material. Because the revenue increase from residential customers and the decrease from commercial customers almost exactly offset each other, that $72,000 increase comes almost totally from the increase in the rate to the Large Interruptible rate class.

The earned return from City Gas' Large Interruptible class is projected to be below parity. Schedule G of Attachment 6 to Order No. 24013, the order approving final rates in Docket 891175-GU, showed a projected return from the Large Interruptible class of .080456 compared to .0947 overall, so the increase to that rate class is not without record support. Further, the record in this docket shows that the single affected customer does not oppose the increase (Service hearing TR p. 6). The decision to authorize the increase to the Large Interruptible class would be neither arbitrary nor capricious.

The consolidation of rates should be approved and earnings monitored through established monthly surveillance reports.

In support of the alternative recommendation, the following comments are provided: When the assets of one natural gas utility are purchased by another natural gas utility, Staff prefers the existing company to operate the former company for one year before seeking rate relief. After one year of operation, the existing company is more knowledgeable about the physical system, as well as the costs associated with operating the system. City Gas petitioned the Commission for approval to apply its rates in lieu of the former Miller Gas rates within six days of the signed purchase agreement. City Gas Company's intent was to eliminate customer confusion and reduce expenses by eliminating the need to operate two billing systems. The Company proposal was approved on an interim basis on April 2, 1991.

After the Commission's interim approval, a service hearing was held to provide the former Miller Gas customers an opportunity to voice their concerns. The only customer that appeared was a representative of WASA. Although WASA was not opposed to the rate increase, it was concerned with the implementation date of the increase because the rate increase was not included in its annual budget. To alleviate WASA's concerns, City Gas agreed with WASA's proposal to postpone implementation of the rate increase until February 1, 1992 subject to Commission approval. A copy of this agreement was provided to the prehearing officer.

Subsequent to the interim approval, City Gas Company provided Staff with additional documentation regarding the book value of the assets purchased, projected revenues, and projected operating expenses. Based on Staff's computations, City Gas Company has the potential to achieve over earnings regardless of whether Miller's previous rates or City's tariffed rates are applied. Based on the data provided to Staff, City Gas has the potential to over earn $218,210 if the rates are based on Miller's previous rates, or $290,483 if the rates are based on City's tariffed rates. (Attachment 1)

On a pragmatic basis, the application of equal rates would appear to merit consideration. However, on a pure earnings analysis basis, the application of equal rates is unjustifiable. It is unreasonable to subject the former Miller customers to City Gas' higher rates when the previous Miller rates provide the potential for excess earnings. To exacerbate the over earnings simply to achieve common rates is inappropriate. Based on the above analysis, Staff recommends that City Gas' petition be denied, and recommends that the rates remain separate until the Company's next rate case.

ISSUE 2: (This issue is moot if the Commission accepts the alternative recommendation in Issue 1.) Should the Commission approve the agreement between City Gas and the Miami Dade Water and Sewer Authority (WASA) delaying the effective date of the increase in the Large Interruptible rate until February 1, 1992?

RECOMMENDATION: Yes

STAFF ANALYSIS: WASA, the single large interruptible customer, does not oppose the proposed increase, but has asked for a delay in the effective date. In a letter to City Gas, dated April 26, 1991, WASA outlined an agreement with City Gas, subject to Commission approval, that the new rate will not become effective until February 1, 1992, to coincide with the next opportunity WASA has to change its rates. City Gas confirmed its agreement with the WASA proposal to delay implementation of the higher rate. (TR p. 7 - Service hearing).

ISSUE 3: (This issue is moot if the Commission accepts the primary recommendation in Issue 1.) Should City Gas Company be required to refund the difference between Miller's rates and City's rates that were collected during interim approval of this petition?

RECOMMENDATION: Any account for which a refund exceeds $10 should receive a refund.

STAFF ANALYSIS: Since the difference between the billing rates will result in numerous small refunds, it would be administratively burdensome and costly to require the Company to refund all accounts. Therefore, only those accounts which are entitled to a refund in excess of $10 should be refunded.

ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Because there are no further actions required, there is no reason to keep the docket open.

CITY GAS / MILLER GAS CONSOLIDATION
IMPACT OF PURCHASED ASSETS ON EARNINGS
FOR A 12-MONTH PERIOD OF TIME

ATTACHMENT 1

	MILLER'S RATES	CITY'S RATES
BOOK VALUE OF PURCHASED ASSETS	$1,060,246	$1,060,246
CONNECTION COSTS + WORKING CAP PROVISION	26,297	26,297
RATE BASE	$1,086,543	$1,086,543
OVERALL RATE OF RETURN (CITY'S LAST RATE CASE)	9.47%	9.47%
ADDITIONAL REVENUE REQUIREMENTS	$102,896	$102,896
PROJECTED REVENUES FOR 12 MONTHS	$1,012,424	$1,072,304
PROJECTED EXPENSES FOR 12 MONTHS	633,934	618,747
PROJECTED INCOME TAXES	142,426	170,673
PROJECTED NET OPERATING INCOME	$236,064	$282,884
ACHIEVED OVERALL RATE OF RETURN	21.73%	26.04%
COMMISSION APPROVED OVERALL RATE OF RETURN	9.47%	9.47%
OVERALL RATE OF RETURN IN EXCESS OF MIDPOINT	12.26%	16.57%
TIMES RATE BASE	1,086,543	1,086,543
SUBTOTAL	$133,168	$179,988
TIMES REVENUE MULTIPLIER	1.6386	1.6139
TOTAL REVENUES IN EXCESS OF MIDPOINT	$218,210	$290,483