

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

MEMORANDUM

February 22, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (MAKIN, FULFORD) *MAKIN*  
DIVISION OF LEGAL SERVICES (ERSTLING) *ERSTLING* *RVE*

RE: DOCKET NO. 960003-GU - INDIANTOWN GAS COMPANY,  
INC. PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP

AGENDA: MARCH 5, 1996 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\INDIANTOWN.RCM *960003GU*

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Indiantown Gas Company, Inc.'s. (Indiantown) petition for an increase in its PGA cap from 29.743 cents per therm to 36.150 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the proposed PGA cap of 36.150 cents per therm for meter readings taken on and after March 1, 1996, through April 1, 1996 billing cycles.

STAFF ANALYSIS: On February 20, 1996, Indiantown filed a petition for expedited relief, (mid-course correction) to its currently authorized purchased gas adjustment cap for the period March 1, 1996 through April 1, 1996.

Indiantowns existing PGA factor of 29.743 cents per therm (for the period April 1995 through March 1996) was based on projected purchased gas costs of \$2,101,288 divided by projected therm sales of 7,140,000.

Indiantown currently projects to have an underrecovery of \$235,780. The proposed increase in the PGA cap for March 1, 1996 through April 1, 1996 will not eliminate the full amount of the projected underrecovery. The underrecovery will, however, be reduced to approximately \$43,565 which will be included in the projected April 1997 through March 1998 period.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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Unusually cold winter weather has significantly increased the demand for gas, causing an unanticipated increase in cost. Indiantown has connected a cogeneration facility to its interruptible tariff. These purchases were made on a spot market basis and were subject to market prices significantly higher than could have been predicted at the time the original projections were made. In addition, Indiantown had record sales of 1,900,000 therms to these customers at the cap of 29.743 cents per therm, which made the deficit larger than in normal billing months.

Indiantown requests that no change be made to the gas cost recovery factor applied to its Residential and Commercial customers. The proposed mid-course correction cap of 36.150 cents per therm would be applied to bills issued under its interruptible tariff. This will allow Indiantown to recover these expenses from the interruptible customers that initially created the underrecovery without impact to the rest of the ratepayers.

Staff recognizes there will not be time to conduct a prudence review of Company's re-projections of purchased gas costs prior to the implementation of the increase in the PGA factor. However, a prudence review will occur as a matter of course during the hearing to be held in Docket No. 970003-GU in February 1997. If the increase in the cost recovery cap is ultimately found imprudent, Indiantown's ratepayers will suffer no harm since any costs found imprudent will be disallowed for recovery and will flow back to the affected ratepayers through the true-up mechanism.