

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
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M E M O R A N D U M

August 1, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (MARIN, *WULFORD*) *WBB RET*
DIVISION OF LEGAL SERVICES (ERSTLING)

RE: DOCKET NO. 960003-GU - SOUTH FLORIDA NATURAL GAS COMPANY
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP

AGENDA: 09/13/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960003GU\960003GU.SOUTHFLORIDA.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant South Florida Natural Gas Company's (South Florida) petition for an increase in its PGA cap from 27.000 cents per therm to 32.586 cents per therm?

RECOMMENDATION: Yes. The Commission should approve the proposed PGA cap of 32.586 cents per therm for meter readings taken on and after September 1, 1996, through March 31, 1997 billing cycles.

STAFF ANALYSIS: On July 19, 1996, South Florida filed a petition for expedited relief, (mid-course correction) to its currently authorized purchased gas adjustment cap for the period September 1, 1996 through March 31, 1997.

South Florida's existing PGA factor of 27.000 cents per therm (for the period April, 1996 through March, 1997) was based on projected purchased gas costs of \$594,434 divided by projected therm sales of 2,209,818.

South Florida currently projects to have an underrecovery of \$93,033. The proposed increase in the PGA cap for September 1, 1996 through March 31, 1997 will increase a typical residential customer's bill by \$1.66, and help reduce the impact on ratepayers during the twelve months beginning April, 1997. An increase of

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5.586 cents per therm for the period September 1, 1996 through March 31, 1997, will avoid a 9.29 cents per therm increase in the PGA factor effective April 1, 1997.

A significant increase in the demand for natural gas has resulted in an unanticipated increase in the commodity cost of gas. The cost increase is the outcome of what transpired during the 1995-1996 winter season. Many parts of the country reported having colder than normal weather throughout much of the last winter. This resulted in strong gas demand and high gas storage field withdrawal throughout the season. The winter season ended with storage field levels being at the lowest level in several years. This situation forced storage service customers and field managers to begin injecting gas back into the fields to ensure adequate inventories for next winter.

Staff recognizes there will not be time to conduct a prudence review of the 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, South Florida's ratepayers will suffer no harm since all costs found imprudent will be disallowed for recovery and will flow back to the affected ratepayers through the true-up mechanism.