

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Indiantown)	
Gas Company for Approval of)	DOCKET NO. <u>961203</u> -GU
Rate Schedule FIS, Firm)	
Industrial Service)	FILED: OCTOBER 4, 1996
_____)		

INDIANTOWN GAS COMPANY'S PETITION FOR APPROVAL OF
RATE SCHEDULE FIS, FIRM INDUSTRIAL SERVICE

Indiantown Gas Company, Inc. ("Indiantown" or "the Company"), pursuant to Commission Rule 25-22.036, Florida Administrative Code, hereby respectfully petitions the Commission for approval of a new tariff rate schedule, Rate Schedule FIS, Firm Industrial Service. Service under this tariff would be available to non-residential customers desiring firm service whose usage is greater than 500,000 therms per year but less than 4,000,000 therms per year, and would be provided at rates including a non-fuel energy charge of 4.52 cents per therm and a customer charge of \$1,200.00 per month. The proposed Rate Schedule FIS is fair, just, and reasonable with respect to both the Company and its customers.

Attached as Exhibit A are copies of the proposed tariff


ACK sheet for Rate Schedule FIS and the revised index of tariff
 AFA _____ sheets necessitated by the addition of this new schedule. In
 APP _____
 CAF _____ further support of this Petition, Indiantown states as follows.

CMR _____
 CTR _____
 EAG _____
 LEG _____
 LIR _____
 OFC _____
 ROF _____
 SER _____
 WAS _____
 OTH _____

BACKGROUND

1. The name and address of the Petitioner are:

Indiantown Gas Company, Inc.
 Post Office Box 8
 16600 S.W. Warfield Boulevard
 Indiantown, Florida 34956

RECEIVED & FILED


 EPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
10630 OCT-4 96
 FPSC-RECORDS/REPORTING

2. The name and address of the person authorized to receive notices and communications with respect to this Petition are:

Robert Scheffel Wright
Landers & Parsons, P.A.
310 West College Avenue (ZIP 32301)
Post Office Box 271
Tallahassee, Florida 32302.

3. Indiantown Gas Company, Inc. is a public utility as defined in section 366.02, Florida Statutes, providing natural gas service to residential, commercial, and industrial customers in Indiantown, Florida and the surrounding area, pursuant to Commission-approved tariffs.

4. Historically, Indiantown evolved as a relatively small gas utility system, with one or two major industrial "anchor" customers and a modest residential and commercial customer base that grew up around the Company's "anchor" customers. The Company presently serves approximately 545 residential customers pursuant to Rate Schedule RS, Residential Service, and approximately 19 small commercial customers pursuant to Rate Schedule CS, Commercial Service. In earlier years, the Company served two industrial customers, Florida Steel and Caulkins Indiantown Citrus Company (hereinafter "Caulkins") under the Company's Rate Schedule LIS, Large Interruptible Service. From 1976, when Florida Steel closed its Indiantown operations, until 1995, the Company served only one large industrial customer, Caulkins. Beginning in 1995, however, Caulkins became the thermal host for a 330 MW gas-fired qualifying cogeneration facility owned and operated by U.S. Generating Company

(hereinafter "Indiantown Cogen"), which became the Company's largest customer upon achieving full commercial operation.

5. Since Indiantown Cogen became operational last year, both Caulkins and Indiantown Cogen have been served, via separate meters, under Rate Schedule LIS. Since Indiantown Cogen became operational, Caulkins' gas usage has declined significantly, because steam received from Indiantown Cogen displaces a significant part of Caulkins' need for gas as boiler fuel. In its new position, Caulkins has expressed an interest in receiving firm service for its reduced gas requirements, and the Company has accordingly undertaken a review of its industrial rates to determine whether an alternate rate schedule could be developed that would be fair, just, and reasonable for Caulkins, the Company, and the Company's other customers.

PROPOSED RATE SCHEDULE FIS, FIRM INDUSTRIAL SERVICE

6. As a result of this review, the Company has determined that the rate design reflected in proposed Rate Schedule FIS would be appropriate for firm service to be provided to Caulkins. The proposed Rate Schedule FIS incorporates a non-fuel energy charge of 4.52 cents per therm and a customer charge of \$1,200.00 per month. The non-fuel energy charge is equal to the comparable non-fuel energy charge for Rate Schedule LIS, and fairly reflects the non-customer-related costs incurred by the Company to provide and maintain the facilities necessary to provide service to customers such as Caulkins and Indiantown Cogen. The proposed customer charge for Rate FIS fairly reflects the costs of

providing the administrative and customer-related services, including metering and billing, necessary to serve firm customers in this size category. The proposed Rate FIS customer charge is less than the customer charge for Rate LIS because of size and other related differences between the two customers. Additionally, because of the sheer size of Indiantown Cogen's gas requirements relative to the Company's total system throughput, it is only practical to serve Indiantown Cogen on an interruptible basis. Finally, this treatment of Caulkins and Indiantown Cogen is consistent with the priorities assigned to these customers in FGT's curtailment plan.

7. Of course, the Company will make either Rate FIS or Rate LIS available to any customer on a non-discriminatory basis. Any other customer meeting the Applicability criteria would be eligible for service under either rate schedule.

8. Implementation of Rate Schedule FIS will not affect the Company's other ratepayers; it will neither precipitate a rate case nor cause the Company to overearn. As shown on the attached Exhibit B, the Company's projected rate of return on equity following implementation of Rate Schedule FIS will be approximately 6.2 percent for the Company's 1997 fiscal year; this is below the rate of return currently used by the Commission to evaluate Indiantown's return on equity for earnings surveillance purposes. At the proposed rates for Rate Schedule FIS, Rate FIS would produce a rate of return of approximately 7.46 percent, still well below the rate used for earnings surveillance purposes for Indiantown Gas Company.

9. Accordingly, the Company's proposed Rate Schedule FIS, Firm Industrial Service, is fair, just, and reasonable, and the Commission should approve it.


10. To facilitate and expedite the Commission's consideration of this Petition, the Company will promptly respond to any requests for supporting information.

CONCLUSION

Indiantown Gas Company's proposed Rate Schedule FIS, Firm Industrial Service, is fair, just, and reasonable to the Company and its ratepayers, and accordingly, the Commission should approve this proposed new rate.

WHEREFORE, Indiantown Gas Company prays that the Commission will GRANT this petition for approval of Rate Schedule FIS, Firm Industrial Service, as described in the body of this Petition, and to APPROVE the proposed Rate Schedule FIS to become effective on the date of the Commission's vote disposing of this Petition.

Respectfully submitted this 4th day of October, 1996.


Robert Scheffel Wright
Florida Bar No. 966721
LANDERS & PARSONS, P.A.
310 West College Avenue (ZIP 32301)
Post Office Box 271
Tallahassee, Florida 32302

Attorneys for
Indiantown Gas Company, Inc.

EXHIBIT A

INDIANTOWN GAS COMPANY

TARIFF SHEETS FOR PROPOSED RATE SCHEDULE FIS,

FIRM INDUSTRIAL SERVICE,

AND

REVISED INDEX OF RATE SCHEDULES AND BILLING ADJUSTMENTS

**Rate Schedule FIS
FIRM INDUSTRIAL SERVICE**

Availability:

Throughout the Company's Entire Service Area.

Applicability:

Service hereunder is applicable to any customer who:

- a. contracts for a minimum average daily contract quantity of at least 1,500 therms per day; and
- b. is a non-residential customer having annual gas requirements of at least 500,000 therms per year but not more than 4,000,000 therms per year.

Character of Service:

Natural gas, or its equivalent, having nominal heat value of 1,000 British Thermal Units per cubic foot. The Company will at all times use reasonable diligence to provide continuous gas service, but the Company shall not be liable to the Customer for failure, curtailment or interruption of gas service due to failure of the Company's gas supplier or suppliers to deliver sufficient gas to the Company, nor for failure, curtailment, or interruption due to any cause, event, or act constituting Force Majeure as defined in the Rules and Regulations of the Company.

Monthly Rates:

Customer Charge:	\$ 1,200.00 per month
Non-Fuel Energy Charge:	4.52 cents per therm

Billing Adjustments:

See BILLING ADJUSTMENTS, Eighth Revised Sheet No. 6.8.

Minimum Bill:

1. The minimum monthly bill shall be the Customer Charge plus the minimum daily contract quantity multiplied by the non-fuel energy charge and applicable adjustments, multiplied by the number of days in the billing cycle.
2. In the event the Company is unable to deliver the minimum daily quantity specified in the Service Agreement on any day or days within a billing cycle, the minimum monthly bill for such billing cycle shall be determined based upon the amount of gas actually delivered to the Customer on such day or days. On any such day or days, the Customer's minimum daily purchase obligation shall be the amount of gas actually delivered to the Customer.

Terms and Conditions of Service:

Service hereunder is subject to the Rules and Regulations of the Company applicable to gas service.

INDEX OF RATE SCHEDULES AND BILLING ADJUSTMENTS

<u>SCHEDULE</u>	<u>TITLE</u>	<u>SHEET NUMBER</u>
RS	Residential Service	6.100
CS	Commercial Service	6.400
FIS	Firm Industrial Service	6.4500
LIS	Large Interruptible Service	6.700
BA	Billing Adjustments	6.800

EXHIBIT B

INDIANTOWN GAS COMPANY

COST ALLOCATION WORKSHEETS FOR
PROPOSED RATE SCHEDULE FIS,
FIRM INDUSTRIAL SERVICE

INDIANTOWN GAS COMPANY

COST ALLOCATION FOR PROPOSED RATE SCHEDULE FIS,
FIRM INDUSTRIAL SERVICE

NET OPERATING INCOME AND RATE OF RETURN ANALYSIS

A. Net Operating Income

	<u>Total Company</u>	<u>Rate Schedule FIS</u>
Revenue	\$ 451,000	\$ 104,800
O&M Expense	302,874	59,926
Depreciation and Taxes Other Than Income Taxes	113,930	25,901
Net Operating Income	\$ 34,196	18,973

B. Rate Base

	<u>Total Company</u>	<u>Rate Schedule FIS</u>
Rate Base at 12/31/96	\$ 551,495	\$ 254,218

C. Rate of Return

	<u>Total Company</u>	<u>Rate Schedule FIS</u>
Net Operating Income	\$ 34,196	18,973
Divided By		
Rate Base	\$ 551,495	\$ 254,218
Rate of Return	6.20 %	7.46 %

NOTE: Total Company revenue includes the expected Rate Schedule FIS revenues at proposed rates.

INDIANTOWN GAS COMPANY

COST ALLOCATION FOR PROPOSED RATE SCHEDULE FIS,
FIRM INDUSTRIAL SERVICE

DETAIL OF ALLOCATION OF RATE BASE

	<u>Total Company</u>	<u>Rate Schedule FIS</u>
Plant In Service		
Account 376	\$ 413,845	\$ 153,029
Account 378	46,086	25,285
Account 385	100,995	100,995
All Other	329,599	0
Total	\$ 890,525	\$ 279,309
Accumulated Depreciation	\$ 474,714	\$ 72,988
Net Plant	\$ 415,811	206,321
Plus:		
Working Capital	\$ 169,614	\$ 55,973
Rate Base at 12/31/95	\$ 585,425	\$ 262,294
Less:		
1996 Depreciation	33,930	8,076
Rate Base at 12/31/96	\$ 551,495	\$ 254,218

INDIANTOWN GAS COMPANY

COST ALLOCATION FOR PROPOSED RATE SCHEDULE FIS,
FIRM INDUSTRIAL SERVICE

ALLOCATION OF OPERATING & MAINTENANCE EXPENSE

<u>Account</u>	<u>Total Company</u>	<u>Rate FIS</u>	<u>Basis of Allocation</u>
870	\$ 46,392	\$ 15,309	(A)
874	925	305	(A)
880	10,576	3,490	(A)
887	1,187	392	(A)
889	854	282	(A)
894	14,160	4,673	(A)
902	7,633	2,519	(A)
910	8,129	2,683	(A)
920	91,738	30,274	(A)
403	33,930	8,076	(B)
408.3	75,151	15,500	(C)
408.4	11,925	2,325	(C)
TOTAL	\$ 302,600	\$ 85,827	

Bases for Allocation:

- (A) Allocated 33 percent to Rate Schedule FIS, on the basis of percentage of total miles of main pipeline serving the FIS customer.
- (B) See Detail of Allocation of Depreciation Expense table.
- (C) Gross Receipts Tax (Account No. 408.3) and Regulatory Assessment Fees (Account No. 408.4) were allocated to Rate Schedule FIS on the basis of 2,000,000 therms per year at an average cost of \$0.31 per therm.

INDIANTOWN GAS COMPANY

COST ALLOCATION FOR PROPOSED RATE SCHEDULE FIS,
FIRM INDUSTRIAL SERVICE

DETAIL OF ALLOCATION OF DEPRECIATION EXPENSE

A. Total Company

<u>Account</u>	<u>Plant In Service</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>
376	\$ 413,845	3.00	\$ 12,415
378	46,086	3.00	1,383
385	100,995	2.70	2,727
Other	329,599	Var.	17,405
TOTAL	\$ 890,525	--	\$ 33,930

B. Rate Schedule FIS

<u>Account</u>	<u>Plant In Service</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>
376	\$ 158,029	3.00	\$ 4,591
378	25,285	3.00	759
385	100,995	2.70	2,727
All Other	0	N/A	0
TOTAL	\$ 279,309	--	\$ 8,076