

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

ORIGINAL
FILE COPY

GOVERNMENTAL CONSULTANTS
PATRICK H. MALLOY
AMSTERDAM

STEPHEN A. ECENIA
KENNETH A. HOFFMAN
THOMAS W. KONRAD
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
R. MICHAEL UNDERWOOD
WILLIAM B. WILLINGHAM

POST OFFICE BOX 551 32302-0551
215 SOUTH MONROE STREET SUITE 420
TALLAHASSEE FLORIDA 32301-1841

TELEPHONE (904) 681-6788
TELECOPIER (904) 681-6515

January 8, 1997

HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, Florida 32399-0850

Re: Docket No. **970003-GU**

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Public Utilities Company ("FPU") are the following documents:

1. Original and fifteen copies of Petition of Florida Public Utilities Company for a Mid-Course Correction to the Approved Purchase Gas Adjustment Factor; *00185-97 - 1/13/97*

2. Original and fifteen copies of the direct testimony of George Bachman; *00 1-97*

3. Original and fifteen copies of FPU's Request for Confidential Classification of Exhibit GMB-3, Mid-Course Correction; and *00187-97*

4. An envelope marked "confidential" containing a copy of the confidential information. *00188-97*

- ACK _____
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- CEL B
- LEM _____
- LEP _____
- LES 1
- LET _____

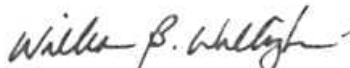
Mark

Ms. Blanca S. Bayo, Director
Page 2
January 8, 1997

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,


William B. Willingham

WBW/rl

cc: Mr. Wayne Makin
All Parties of Record

Tr (b.3)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment)
(PGA) True-up)

Docket No. 970003-GU
Filed: January 8, 1997

PETITION OF FLORIDA PUBLIC UTILITIES COMPANY
FOR A MID-COURSE CORRECTION TO THE
APPROVED PURCHASED GAS ADJUSTMENT FACTOR

Florida Public Utilities Company ("FPU"), by and through its undersigned counsel, submits this Petition for a Mid-Course Correction to the Approved Purchased Gas Adjustment Factor for the period February 1, 1997 through March 31, 1997. FPU seeks an increase in its purchased gas cost factor from 38.519 cents-per-therm to 66.333 cents-per-therm to be applied to the first cycle of customers' bills rendered for meter readings taken on or after February 1, 1997. In support of its Petition, FPU states as follows:

1. All notices, pleadings and orders should be directed to:

William B. Willingham, Esq.
RUTLEDGE, ECENIA, UNDERWOOD, PURNELL
& HOFFMAN, P.A.
P. O. Box 551
Tallahassee, Florida 32302-0551
(904) 681-6788

and

Mr. Frank C. Cressman
President
FLORIDA PUBLIC UTILITIES COMPANY
P. O. Box 3395
West Palm Beach, FL 33402-3395

2. The exact name of Petitioner and the address of its principal business office is:

Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, Florida 33402-3395

DOCUMENT NUMBER DATE

00185 JAN-86

FPSC-RECORDS/REPORTING

Handwritten notations and initials on the left margin, including a large '1' and '3' next to the list items.

3. The Commission has directed Florida's natural gas public utilities to recover their purchased gas costs through a levelized purchase gas cost factor.¹ The levelized purchased gas cost factor serves as a cap or maximum recovery factor. Pursuant to Order No. 24463, a utility may request a mid-course correction of this factor if re-projected expenses for the remaining period exceed projected revenues by approximately 10% when using the Commission-approved purchased gas cost cap.

4. By its Order No. PSC-96-0323-FOF-GU, the Commission approved a levelized purchase gas cost recovery factor of 38.519 cents-per-therm for FPU for the period April 1996 through March 1997. This factor was based upon FPU's projected purchased gas costs of \$16,493,704² and projected sales of \$16,464,013³ for the same period.

5. As demonstrated by Schedule E-2 Mid-Course Correction⁴, FPU's re-projected expenses for the period April 1996 through March 1997 exceed the projected revenues for the same period by more than 10% using the Commission-approved purchased gas cost factor of

¹Order Nos. 24463 and PSC-93-1783-FOF-GU.

²Line 11 of Schedule E-1 that FPU filed in Docket 960003-GU on or about January 16, 1996.

³Line 14 of Schedule E-1 that FPU filed in Docket 960003-GU on or about January 16, 1996.

⁴Composite exhibit GMB-3 contains revised Schedules E-1, E-2 and E-3 which are incorporated herein by reference. Revised Schedule E-3 of exhibit GMB-3 is a redacted version of that schedule, for which confidential classification has been requested.

38.519 cents-per-therm. Specifically, FPU's expenses for the period are re-projected to be \$18,655,988⁵ while its revenues for the same period are re-projected to be \$15,817,878⁶, resulting in a projected differential of \$2,838,110 or 15% of expenses.

6. FPU originally projected expenses of \$16,493,704⁷ for the period April 1996 through March 1997. FPU's re-projected expenses for this period are substantially higher due to unanticipated increases in the commodity cost of gas.

7. FPU requests that the Commission approve an increase in its levelized purchased gas cost recovery factor from 38.519 cents-per-therm to 66.333 cents-per-therm, based upon the re-projected cost of gas (including the true-up factor) for the period February 1997 through March 1997. FPU requests that the increased factor be effective for the first cycle of meter readings on or after February 1, 1997 and continue in effect until the Commission approves a new recovery factor for FPU in this docket. Approval of this increase will help to mitigate FPU's under-recovery of expenses for the period April 1996 through March 1997. Approval of this increase also will help to mitigate the projected increase in FPU's recovery factor for the period April 1997 through March 1998, which increase will be necessary due to projected increases in the commodity cost of gas for that period.

⁵Line 11 of Schedule E-1 Mid-Course Correction, Exhibit GMB-3.

⁶Line 14 of Schedule E-1 Mid-Course Correction, Exhibit GMB-3.

⁷Line 11 of Schedule E-1 that FPU filed in Docket 960003-GU on or about January 16, 1996.

8. Because of the immediate need to reduce FPU's projected under recovery of expenses, it is necessary that the increased factor should be effective for all meter readings beginning with the first billing cycle in February 1997. FPU recognizes that this will require the Commission to deviate from its usual policy of making changes in rates and charges effective thirty days after the Commission's vote approving the rate change. However, the Commission previously has allowed mid-course corrections to become effective at an earlier than normal date under similar circumstances when the amount of the projected under recovery was substantial. See, e.g., In re: Purchased Gas Adjustment (PGA) True-Up, Order No. PSC-94-0207-FOF-GU (February 21, 1994).

9. FPU recognizes that there will not be time for the Commission to conduct a prudence review of the Company's re-projections of purchased gas costs prior to the implementation of the increase in the purchased gas cost factor sought by this Petition. However, pursuant to the cost recovery mechanism established in this docket, such prudence review will occur as a matter of course at the hearing to be held in this docket in February 1997. If the increase in the cost recovery factor ultimately is deemed to be imprudent, FPU's ratepayers will suffer no harm since any cost deemed imprudent will be disallowed for recovery and will flow back to the ratepayers through the true-up mechanism that is inherent in the calculation of the purchased gas cost factor for the period April 1997 through March 1998.

WHEREFORE, Florida Public Utilities Company requests the

Commission to approve the proposed increase in its purchased gas cost factor from 38.519 cents-per-therm to 66.333 cents-per-therm to be applied to the first cycle of customers' bills rendered for meter readings taken on or after February 1, 1997.

Dated this 8th day of January, 1997.

Respectfully submitted,

William B. Willingham
WILLIAM B. WILLINGHAM, ESQ.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302-0551
(904) 681-6788 (phone)
(904) 681-6515 (fax)

Attorneys for Florida Public
Utilities Company

CERTIFICATE OF SERVICE

I HEREBY certify that a copy of the foregoing was furnished by United States Mail this PM day of January, 1997 to:

Cochran Keating, Esq.
Division of Legal Services
Florida Public Service
Commission
2540 Shumard Oak Boulevard
Gerald L. Gunter Building
Tallahassee, Florida 32399-0850

Vicki Kaufman, Esq.
McWhirter Law Firm
117 S. Gadsden Street
Tallahassee, FL 32301

Michael Palecki, Esq.
955 East 25th Street
Hialeah, FL 33013-3498

Mr. Stephen C. Thompson
P. O. Box 960
Winter Haven, FL 33882-0960

Mr. Frank C. Cressman
P. O. Box 3395
West Palm Beach, FL 33402-3395

Ms. Colette M. Powers
P. O. Box 8
Indiantown, FL 34956-0008

Mr. Jack E. Uhl
P. O. Box 2562
Tampa, FL 33601-2562

Sebring Gas Company
3515 Highway 27 South
Sebring, FL 33870-5452

Mr. J. Peter Martin
101 N.W. 202 Terrace
P. O. Box 96000-J
Miami, FL 33269-0078

Mr. Stuart L. Shoaf
P. O. Box 549
Port St. Joe, FL 32457-0549

Mr. J.E. McIntyre
P. O. Box 1460
Panama City, FL 32402-1460

Wayne Schiefelbein, Esq.
Gatlin Law Firm
1709-D Mahan Drive
Tallahassee, FL 32308

Ansley Watson
P.O. Box 1531
Tampa, FL 33601-1531

Norman Horton, Jr., Esq.
Messer Law Firm
P. O. Box 1876
Tallahassee, FL 32302

Office of Public Counsel
111 W. Madison St., #812
Tallahassee, FL 32399-1400

By: William B. Willingham
WILLIAM B. WILLINGHAM, ESQ.