

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RECEIVED

MEMORANDUM

January 22, 1998

JAN 22 1998

11:15  
FPSC - Records/Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO) *OK*

FROM: DIVISION OF ELECTRIC & GAS (LOWERY, BULECEA-BANKS, MAKIN) *CRB*  
DIVISION OF LEGAL SERVICES (CRUZ-BUSTILLO) *JEB RVE JUS*

RE: DOCKET NO. [REDACTED] - PETITION BY TAMPA ELECTRIC COMPANY  
d/b/a PEOPLES GAS SYSTEM FOR MODIFICATION OF RIDER WNA  
(WEATHER NORMALIZATION ADJUSTMENT) IN PEOPLES' NATURAL  
GAS TARIFF TO PROVIDE MAXIMUM ADJUSTMENT TO CUSTOMERS'  
BILLS

AGENDA: 02/03/98 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 02/13/98

SPECIAL INSTRUCTIONS: S:\PSC\RAG\WP\971618GU.RCM

CASE BACKGROUND

On July 16, 1996, West Florida Natural Gas (WFNG) petitioned the Commission for approval to implement a three-year experimental Weather Normalization Tariff. (Docket No. 960831-GU) At that time, WFNG believed that the Weather Normalization Tariff would levelize revenues resulting from unpredictable changes in winter weather. The Commission approved the petition in Order No. PSC-96-1192-POF-GU, issued September 23, 1996.

Peoples Gas System (Peoples or Company), a division of Tampa Electric Company, acquired WFNG on June 30, 1997. The experimental Weather Normalization Tariff remained in effect for Peoples' West Florida Division. On December 15, 1997, Peoples filed a petition for modification of Rider WNA (Weather Normalization Adjustment) to provide for maximum adjustment to customers' bills.

On January 20, 1998, Peoples filed an amendment to its petition. The amendment was filed to clarify the facts stated in its petition and to provide additional data.

DOCUMENT NUMBER-DATE

~~01185~~  
FPSC-RECORDS/REPORTING

DOCKET NO. 971618-GU  
DATE: January 22, 1998

### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission approve Peoples' petition for modification of the WNA (Weather Normalization Adjustment) Rider?

**RECOMMENDATION:** No. The Commission should not approve Peoples' petition to modify the WNA Rider. The modification is not in the long-term best interest of the ratepayers without a provision to true-up the WNA.

**STAFF ANALYSIS:** West Florida Natural Gas Company's (WFNG), original proposed weather normalization adjustment was intended to be a rate mechanism that would offset the impact of unusually cold or warm weather on its revenues and income. The Weather Normalization Tariff, during its experimental years, was to be in effect from November through April. Because of its location in northern and central Florida, WFNG experienced substantial heat-sensitive demand on its system. To compensate for the deviations from normal weather, an adjustment factor was applied that increased or decreased base revenues on residential and commercial accounts. Customers with weather-normalized rates had their bills adjusted downwards in unusually cold months, and adjusted upwards during periods of unusually warm weather.

The weather normalization clause was intended to protect WFNG against revenue and earnings instability resulting from weather fluctuations. The typical adjustment to a customer's bill was expected to be less than two dollars.

Weather normalization clauses are being used in fifty-two jurisdictions across twenty-six states and Canada. These clauses are designed to minimize the revenue impact of abnormal weather. Over a long period of time, the purpose is to achieve revenue neutrality.

WFNG and Staff anticipated that at the time this tariff was originally proposed, the clause would continue to be applied, and that over time, revenue neutrality would be achieved.

During the first period of the pilot program (November 1996 through April 1997), WFNG's operating divisions, overall, experienced abnormally warm weather. As a result, weather-normalized customers were assessed additional monies during most of the weather-normalized months. Of approximately 28,500 weather-normalized customers, approximately ten customers voiced their complaints to WFNG. The Commission received six written complaints. The adjustments on these customers' bills ranged from

DOCKET NO. 971618-GU  
DATE: January 22, 1998

a weather normalization credit of \$10.83, to an additional charge of \$17.89.

Upon receiving the complaints, Staff contacted WFNG and suggested that a dollar cap be placed on the credits and charges. WFNG was receptive to the concept of establishing a cap, since they anticipated the typical adjustment to a customer's bill would be less than two dollars. With the acquisition of WFNG by Tampa Electric Company in June 1997, the rate cap issue was put aside.

On December 15, 1997, Peoples filed a petition to modify Rider WNA (Weather Normalization Adjustment). In its petition, Peoples proposed an adjustment cap for each of the two remaining years of the WNA experiment.

For the period November 1997, through April 1998, Peoples proposed to limit the amount of any additional WNA charge to ten dollars. However, they would not limit the amount of any credit. Therefore, if it was abnormally cold, Peoples would give back the entire calculated WNA, no matter what the amount was. For the final period of the experiment (November 1998 through April 1999), Peoples proposed to have a cap of ten dollars for both credits and charges.

Staff is not opposed to the concept of a ten-dollar cap. However, there currently exists a substantial surplus. Therefore, Staff is opposed to capping the credits in the third year. It is more likely than not that Peoples will retain more overall monies as a result of the WNA, as opposed to the revenue neutral outcome the experiment envisioned. During the first period, November 1996 through April 1997, customers have been charged a total of \$404,309 (this is separate and apart from any WNA credits applied to the bill). For the current experimental period that began November 1997, the Company has issued \$168,988 in credits, making the current ongoing balance of the WNA as of December 31, 1997, \$235,310.

Peoples has indicated to Staff that they do not intend to extend the weather normalization experiment past the 36-month pilot period. With that intent in mind, it is more likely than not that, at the end of the three-year period, Peoples will have generated higher revenues than they would have, had there been no WNA. That was clearly not the intent of the WNA. The intent was clearly to achieve revenue neutrality. Revenue neutrality would likely be achieved if the program was in place for several years.

Staff does not recommend approval of Peoples' petition. Peoples has indicated their intention to retain any surplus

DOCKET NO. 971618-GU  
DATE: January 22, 1998

revenues from this program, so long as the monies do not cause the Company to exceed its authorized return on equity. This position may stem from the fact that the original order, PSC-96-1192-POF-GU, which authorized the experimental program, was silent with respect to a mechanism to true-up the WNA. In approving WFNG's original petition, the Commission stated that it would have the opportunity to reevaluate the effectiveness of the program at the end of the three-year period.

Since this is a tariff filing, staff can only recommend approval, denial, or suspension. We recommend denial, as approval of this petition is not in the long-term best interest of the ratepayers.

**ISSUE 2:** Should this Docket be closed?

**RECOMMENDATION:** Yes. If no timely protest is filed, this docket should be closed. Peoples Gas should be required to file a petition to either end, extend, or convert the experimental program to a full program, no later than December 1, 1998.

**STAFF ANALYSIS:** This docket should be closed if no person whose substantial interests are affected files a petition for formal proceeding within the allowed 21-day protest period. The three-year experiment terminates on April 30, 1999. To ensure a timely decision is made, Peoples should be required to file a petition to either end, extend, or convert the experimental program to a full program, no later than December 1, 1998.