

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment
(PGA) true-up.

DOCKET NO. 980003-GU
ORDER NO. PSC-98-0311-PHO-GU
ISSUED: February 23, 1998

Pursuant to Notice, a Prehearing Conference was held on Monday, February 16, 1998, in Tallahassee, Florida, before Commissioner Susan F. Clark, as Prehearing Officer.

APPEARANCES:

WAYNE SCHIEFELBEIN, Esquire, Gatlin, Schiefelbein & Cowdery, 3301 Thomasville Road, Suite 300, Tallahassee, Florida 32312

On behalf of Chesapeake Utilities Corporation (CUC).

MICHAEL A. PALECKI, Esquire, NUI Corporation - Southern Division, 955 East 25th Street, Hialeah, Florida 33013

On behalf of City Gas Company of Florida (CGC).

KENNETH A. HOFFMAN, Esquire, Rutledge, Ecenia, Underwood, Purnell & Hoffman, P.A., Post Office Box 551, Tallahassee, Florida 32302-0551

On behalf of Florida Public Utilities Company (FPU).

DAVID M. NICHOLSON, Esquire, Macfarlane Ferguson & McMullen, Post Office Box 1531, Tampa, Florida 33601

On behalf of Peoples Gas System (PGS).

NORMAN H. HORTON, JR., Esquire, Messer Caparello, & Self, P.A., Post Office Box 1876, Tallahassee, Florida 32302

On behalf of South Florida Natural Gas Company (SFNG) and Sebring Gas Systems, Inc. (SGS).

JOHN ROGER HOWE, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400

On behalf of the Citizens of the State of Florida (OPC).

WM. COCHRAN KEATING, IV, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

On behalf of the Commission Staff (Staff).

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

PREHEARING ORDER

I. CASE BACKGROUND

As part of the Commission's continuing fuel cost, energy conservation cost, purchased gas cost, and environmental cost recovery proceedings, a hearing is set for February 25 - 27, 1998, in this docket and in Docket Nos. 980001-EI, 980002-EG, and 980007-EI. The hearing will address the issues set out in the body of this prehearing order. The parties have reached agreement concerning all issues identified for resolution at the February 25-27, 1998 hearing. Therefore, the case will be presented to the panel as a stipulation.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093(2), Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing

Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing

position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

III. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

IV. ORDER OF WITNESSES

* Witnesses whose names are preceded by an asterisk (*) have been excused. The parties have stipulated that the testimony

of those witnesses will be inserted in to the record as though read, and cross-examination will be waived. The parties have also stipulated that all exhibits submitted with those witnesses' testimony shall be identified as shown in Section VII of this Prehearing Order and be admitted into the record.

| <u>Witness</u> | <u>Appearing For</u> | <u>Issue #</u> |
|------------------------|----------------------|----------------|
| *Anne V. Wood | CUC | 1 - 4 |
| *Raymond A. DeMoine | CGC | 1 - 5 |
| *George Bachman | FPU | 1 - 5 |
| *Marc L. Schneidermann | FPU | 4 |
| *Brian J. Powers | IGC | 1 - 5 |
| *W. Edward Elliott | PGS | 1 - 5 |
| *L. Defrain | SFNG | 1 - 4 |
| *J. Melendy | SGS | 1 - 4 |
| *Stuart L. Shoaf | SJNG | 1 - 5 |

V. BASIC POSITIONS

CUC: The appropriate over (under) recovery amounts and purchased gas adjustment factor are as shown in the Company's positions on Issues 1 - 4.

CGC: The Company has worked with Commission Staff and has made several adjustments from its initial filing. In light of these adjustments, the Commission should determine that City Gas has properly calculated its Purchased Gas Adjustment true-up and that the appropriate purchased gas adjustment factor to be applied by City Gas during the period April 1998 through March 1999 is 47.194 cents per therm.

FPU: FPU has properly calculated its true-up amounts and projected gas costs. Its costs and projections are reasonable and its purchased gas cost recovery factors should be approved.

IGC: The Commission should approve the PGA true-up, including interest, and the PGA Factor of \$0.38026 per therm to be applied to customer bills rendered for the period ending March 31, 1999.

PGS: The Commission should approve Peoples' final PGA true-up amount for the period April, 1996 through March, 1997 of \$3,911,759 (underrecovery), its estimated PGA true-up amount of \$3,918,939 (overrecovery) for the period April, 1997 through March, 1998, and its levelized PGA (cap) factor of 49.609 cents per therm for application to customers' bills, including the customers of the former West Florida Natural Gas Co., during the period April 1, 1998 through March 31, 1999.

SFNG: The appropriate over (under) recovery amounts and purchased gas adjustment factor are as shown in the Company's positions on Issues 1 - 4.

SGS: Sebring Gas System, Inc. has properly calculated its true-up amounts and projected gas costs. Its costs and projections are reasonable and its purchased gas cost recovery factor should be approved.

SJNG: The appropriate over (under) recovery amounts and purchased gas adjustment factors are shown in the company's positions on Issue 1 - 5.

OPC: None necessary.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

Generic Purchased Gas Adjustment Issues

STIPULATED

ISSUE 1: What are the appropriate final purchased gas adjustment true-up amounts for the period April 1996 through March 1997?

POSITION:

| | | |
|-------------------------------|-------------|----------------|
| Chesapeake Utilities Corp. | \$ 487,552 | Overrecovery |
| City Gas Company of Florida | \$1,589,426 | Overrecovery |
| Florida Public Utilities Co. | \$ 562,942 | Overrecovery |
| Indiantown Gas Company | \$ 3,202 | Underrecovery |
| Peoples Gas System, Inc. | \$3,911,759 | Underrecovery* |
| Sebring Gas System Inc. | \$ 9,331 | Underrecovery |
| St. Joe Natural Gas Co. | \$ 20,240 | Overrecovery |
| South Florida Natural Gas Co. | \$ 114,218 | Overrecovery |
| West Florida Natural Gas Co. | \$ 103,669 | Underrecovery |

* Includes West Florida Natural Gas Company's \$103,669 underrecovery.

STIPULATED

ISSUE 2: What are the estimated purchased gas adjustment true-up amounts for the period April 1997 through March 1998?

POSITION:

| | | |
|------------------------------|-------------|---------------|
| Chesapeake Utilities Corp. | \$ 442,997 | Underrecovery |
| City Gas Company of Florida | \$1,623,366 | Underrecovery |
| Florida Public Utilities Co. | \$ 420,352 | Underrecovery |

| | | |
|-------------------------------|-------------|---------------|
| Indiantown Gas Company | \$ 46,102 | Underrecovery |
| Peoples Gas System, Inc. | \$3,918,939 | Overrecovery* |
| Sebring Gas System Inc. | \$ 4,621 | Underrecovery |
| St. Joe Natural Gas Co. | \$ 6,762 | Underrecovery |
| South Florida Natural Gas Co. | \$ 23,344 | Overrecovery |

* On June 30, 1997, West Florida Natural Gas Company was merged with and into Tampa Electric and will provide service under the registered name of Peoples Gas System. Peoples Gas System's estimated true-up amount includes a \$23,492 overrecovery associated with West Florida Natural Gas Company.

STIPULATED

ISSUE 3: What are the total purchased gas adjustment true-up amounts to be collected during the period April 1998 through March 1999?

POSITION:

| | | |
|-------------------------------|------------|---------------|
| Chesapeake Utilities Corp. | \$ 44,555 | Overrecovery |
| City Gas Company of Florida | \$ 33,940 | Underrecovery |
| Florida Public Utilities Co. | \$ 142,590 | Overrecovery |
| Indiantown Gas Company | \$ 49,304 | Underrecovery |
| Peoples Gas System, Inc. | \$ 7,180 | Overrecovery* |
| Sebring Gas System Inc. | \$ 13,952 | Underrecovery |
| St. Joe Natural Gas Co. | \$ 13,478 | Overrecovery |
| South Florida Natural Gas Co. | \$ 137,562 | Overrecovery |

* On June 30, 1997, West Florida Natural Gas Company was merged with and into Tampa Electric and will provide service under the registered name of Peoples Gas System. Peoples Gas System's projected true-up amount includes an \$80,177

underrecovery associated with West Florida Natural Gas Company.

STIPULATED

ISSUE 4: What are the appropriate levelized purchased gas cost recovery (cap) factors for the period April 1998 through March 1999?

POSITION:

| | |
|-------------------------------|-------------------------|
| Chesapeake Utilities Corp. | 41.823 cents per therm |
| City Gas Company of Florida | 47.194 cents per therm |
| Florida Public Utilities Co. | 49.293 cents per therm |
| Indiantown Gas Company | 38.026 cents per therm |
| Peoples Gas System, Inc. | 49.609 cents per therm* |
| Sebring Gas System Inc. | 44.614 cents per therm |
| St. Joe Natural Gas Co. | 68.000 cents per therm |
| South Florida Natural Gas Co. | 27.780 cents per therm |

* On June 30, 1997, West Florida Natural Gas Company was merged with and into Tampa Electric and will provide service under the registered name of Peoples Gas System.

STIPULATED

ISSUE 5: What should be the effective date of the new purchased gas adjustment charge for billing purposes?

POSITION: The factor should be effective for all meter readings on or after April 1, 1998, beginning with the first or applicable billing cycle for the period April 1998 through March 1999.

VII. EXHIBIT LIST

* Witnesses whose names are preceded by an asterisk (*) have been excused. All exhibits submitted with those witnesses' testimony shall be identified and admitted into the record.

| <u>Witness</u> | <u>Proffered By</u> | <u>I.D. No.</u> | <u>Description</u> |
|----------------|---------------------|------------------------|---|
| *Wood | CUC | _____ | April 1996 - March 1997 |
| | | (AVW - 1) Composite | True-Up Schedules A-1 through A-7 |
| *DeMoine | CGC | _____ | April 1998 - March 1999 |
| | | (AVW - 2) Composite | PGA Factor, Schedules E-1 through E-5 |
| *Bachman | FPU | _____ | Schedules E-1, E-1/R, E-2, E-3, E-4, E-5 and A-7 |
| *Powers | IGC | () | Schedules A-1, A-1/R, A-1, flex down, A-1 Supporting Detail A-2, A-3, A-4, A-5, A-6 and A-7 |
| | | _____ | Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 |
| | | (GMB - 3) Composite | |
| *Powers | IGC | _____ | PGA Summary of estimates for the projected period. |
| | | (E - 1) | |
| | | _____ | Calculation of true-up amount current period (8 months actual and 4 months estimated) |
| | | (E - 2) | |
| | | _____ | Transportation purchases system supply and end use for the projected period. |
| | | (E - 3) | |

| <u>Witness</u> | <u>Proffered By</u> | <u>I.D. No.</u> | <u>Description</u> |
|----------------|---------------------|------------------------------------|--|
| | | <u>(E - 4)</u> | Calculation of true-up amount for the projected period based on the prior period and current period (8 months actual and 4 month estimated) |
| | | <u>(E - 5)</u> | Calculation of Therm sales and Customer Data. |
| *Elliott | PGS | <u>(EE - 1)</u> <u>(EE - 2)</u> | Calculation of final true-up for April 1996 - March 1997 (Schedules A-1 through A-6) |
| | | <u>(EE - 3)</u> Revised | Calculation of estimated true-up for April 1997 - March 1998; total true-up for April 1998 - March 1999; Calculation of PGA factor for April 1998 - March 1999 (Schedules E-1 through E-5) |
| *Defrain | SFNG | <u>(LD - 1)</u> Composite | April 1996 - March 1997 True-Up, Schedules A-1 through A-7 |
| | | <u>(LD - 2)</u> Composite | April 1998 - March 1999 PGA Factor, Schedules E-1 through E-5 |
| *Melendy | SGS | <u>(JHM - 2)</u> Composite | Schedules E-1, E-1R, E-2, E-3, E-4, and E-5 |
| *Shoaf | SJNG | <u>(SLS - 1)</u> | PGA Summary of estimates for the projected period. |

| <u>Witness</u> | <u>Proffered By</u> | <u>I.D. No.</u> | <u>Description</u> |
|----------------|---------------------|-----------------|---|
| | | (SLS - 2) | Calculation of true-up amount current period (8 months actual 4 months estimated) |
| | | (SLS - 3) | Transportation purchases system supply and end use for the projected period |
| | | (SLS - 4) | Calculation of true-up amount for the projected period based on the prior period and current period (8 months actual, 4 months estimated) |
| | | (SLS - 5) | Therms Sales and Customer Data (For the projected period) |
| | | (SLS - 6) | Reprojected PGA for Current Period (8 mths, 4 mths est.) |

VIII. PROPOSED STIPULATIONS

All issues have been stipulated.

IX. PENDING MOTIONS

There are no pending motions at this time.

X. RULINGS

Counsel representing companies whose issues have been stipulated shall be excused from attending the hearing for this docket. In addition, companies whose issues have been stipulated shall not be required to file post-hearing statements.

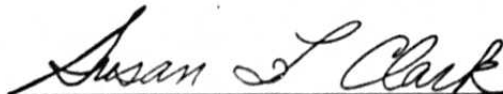
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The Commission will establish a separate docket to consider a change in the period to be used and the manner of implementation in this Docket and Docket Nos. 980001-EI, 980002-EG and 980007-EI.

It is therefore,

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 23rd day of February, 1998.



SUSAN F. CLARK, Commissioner
and Prehearing Officer

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2)

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reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.