

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
JOHN R. ELLIS
KENNETH A. HOFFMAN
THOMAS W. KONRAD
MICHAEL G. MAIDA
J. STEPHEN MENTON
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
R. MICHAEL UNDERWOOD

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

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

OF COUNSEL
CHARLES F. DUKLEY

GOVERNMENTAL CONSULTANTS
PATRICK R. MALLOY
AMY J. YOUNG

March 31, 1998

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

HAND DELIVERY

Re: Docket No. 980269-PU

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Public Utilities Company ("FPUC") are the original and fifteen copies of Responses to Issues and Questions raised at the March 17, 1998 Staff Workshop in the above-referenced docket.

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,



Kenneth A. Hoffman

ACK _____
AFA 2
APP _____
CAF _____
CMU _____
CTR _____
EAG D.H. ...
LEG 1 KAH/rl
LIN _____ Enclosures
OPC _____
RCH _____ cc: Leslie Paugh, Esq., with enclosure
REC 1 Mr. Mark Schneiderman, with enclosure
VAS _____ Interested Persons on Service List in Docket No. 980269-PU, with enclosure
TH _____ Fpu bay

DOCUMENT NUMBER DATE

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following by U. S. Mail, this 31st day of March, 1998:

Jeffery Stone, Esq.
Russell Badders, Esq.
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Ann Wood
Chesapeake Utilities
P. O. Box 960
Winter Haven, FL 33883-0960

Mr. Michael Palecki
City Gas Company of Florida
955 East 25th Street
Hialeah, FL 33013-3498

Mr. Bill Walker
FP&L
215 South Monroe Street
Suite 810
Tallahassee, FL 32301-1859

James A. McGee, Esq.
P. O. Box 14042
St. Petersburg, FL 33733-4042

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

Ms. Susan D. Cranmer
One Energy Place
Pensacola, FL 32520-0780

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

Gail Kamaris
LEAF
1115 N. Gadsden Street
Tallahassee, FL 32303-6327

Joseph McGlothlin, Esq.
Vicki Kaufman, Esq.
117 S. Gadsden Street
Tallahassee, FL 32301

John McWhirter, Esq.
P. O. Box 3350
Tampa, FL 32601-3350

Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Mr. Francis J. Sivard
Peoples Gas System
P. O. Box 111
Tampa, FL 33601-0111

Sebring Gas System, Inc
3515 Highway 27 South
Sebring, FL 33870-5452

Mr. John McLelland
P. O. Box 248
New Smyrna Beach, FL 32170-0248

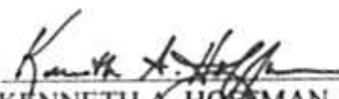
Mr. Stuart L. Shoaf
St. Joe Natural Gas Company, Inc
P. O. Box 549
Port St. Joe, FL 32457-0549

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Matt Childs, Esq.
215 S. Monroe Street
Suite 601
Tallahassee, FL 32301

Ms Angela Llewellyn
Regulatory and Business Strategy
P. O. Box 111
Tampa, FL 33601-0111

Mr. Ben Gray
West Florida Natural Gas Company
P. O. Box 1460
Panama City, FL 32402-1460

By 
KENNETH A. HOFFMAN, ESQ.

Responses by Florida Public Utilities Company ("FPUC")
to Issues and Questions Discussed at the March 17, 1998
Public Service Commission Staff Workshop
Docket No. 980269-PU

ISSUE 1: Should the Commission approve a change in the frequency of the fuel and purchased power cost recovery hearings from a semiannual to an annual basis?

Yes. FPUC is in favor of a twelve-month calendar year basis. We already project this information for our internal budget process on a calendar year basis. We should still have the ability to change our rates through a mid-course correction if necessary; however, the process would become more productive by following our current budget period.

We would be in favor of consistency between Fuel, Conservation and PGA cost recovery clauses. We are in favor of changing all filings to a twelve-month calendar year basis.

ISSUE 2: Should the Commission approve a change in the frequency of the environmental cost recovery hearings for Tampa Electric Company from a semiannual to an annual basis?

FPUC withholds filing a response to this issue since the issue does not have an effect on FPUC.

ISSUE 3: Should the Commission approve a change to calculate the factor for the fuel and purchased power cost recovery clause on a calendar year basis?

Yes. FPUC is in favor of a twelve-month period on a calendar year basis. Again, we project this information for our internal budget process on a calendar year basis. We should still have the ability to change our rates through a mid-course correction if necessary; however, the process would become more productive by following our current budget period.

ISSUE 4: Should the Commission approve a change to calculate the factor for the environmental cost recovery clause on a calendar year basis?

FPUC withholds filing a response to this issue since the issue does not have an effect on FPUC.

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ISSUE 5: Should the Commission approve a change to calculate the factor for the energy conservation cost recovery clause on a calendar year basis?

Yes. FPUC is currently filing these items on a twelve-month basis; however, we support changing this to a calendar year basis. This would provide consistency between all cost recovery filings and would allow for productivity savings by utilizing our budget process calendar year data.

ISSUE 6: Should the Commission approve a change to calculate the factor for the purchased gas adjustment (PGA) true-up on a calendar year basis?

Yes. FPUC is in favor of a twelve-month period on a calendar year basis. Again, we project this information for our internal budget process on a calendar year basis. We should still have the ability to change our rates through a mid-course correction if necessary; however, the process would become more productive by following our current budget period.

ISSUE 7: Should this docket be closed?

Yes.

(Staff Questions 1-10 apply only to investor-owned electric utilities. Questions 11-14 apply to all investor-owned electric and gas utilities.)

- Q1) Based upon historical data over the past 10 years, what impact would a Commission decision have upon the size of the utility's over/under recovery?**

Due to the short time frame for responses, FPUC has not had the opportunity to analyze the past 10 years. A Commission decision to change the filings to calendar year periods would have probably reduced the Company's over/under recovery. The Company expects that it is more reasonable to expect more accurate projections over a single year as opposed to two independent six-month periods.

- Q2) If the Commission adopts an annual hearing for the fuel clause and the environmental clause, should the Commission revise its 10 percent threshold as a basis to request a midcourse correction?**

The Company views the 10% threshold as being reasonable and does not advocate a change from the status quo.

Some additional issues to consider to avoid the necessity of mid-course corrections would be to offer cap rates for company's fuel rates; but allow, at their discretion, the ability to flex down the rates being charged to customers to recover fuel costs. The necessity of mid-course corrections then would be limited to excessive under recoveries. This is consistent with the Purchased Gas Cost Recovery Factor Mechanism.

- Q3) During the past 10 years, how frequently would the utility had requested approval for a midcourse correction based upon a 10 percent threshold?**

During the past 10 years, the Company requested approval for one mid-course correction in our electric operations. As stated in response to Question 1, we would expect our projection to improve by shifting to a calendar year basis, which should further reduce the possibility of requiring a mid-course correction.

- Q4) It has been suggested that a utility could submit interim petitions between hearings for special or unanticipated issues. What threshold level of costs would cause a change in the fuel factor?**

The 10% threshold should be used as the determining factor for changing the fuel factor

- Q5) It has also been suggested that an annual fuel factor would provide a utility's customers with a greater level of certainty about fuel costs. Over the past 12 months, how many customers have expressed this concern?**

According to FPUC's Fernandina Beach and Marianna Division Managers, the Company's customers have not expressed concern over current fuel costs.

- Q6) If the Commission adopts an annual hearing for the fuel clause and environmental clause, would the utility change any of its forecasting models, methodologies, assumptions, or data sources?**

No.

- Q7) Which form modifications would be necessary to accommodate the change to an annual hearing?**

The following form modification would be necessary to accommodate a change to an annual hearing for the electric fuel filings:

On all forms, the period of coverage needs to be changed from six months to twelve months.

The monthly schedule formats will not change; the period covered for the "period of date" sections will include additional months.

The true-up schedules (M1 and F1) need to be expanded to include the additional months in the twelve-month period.

The projections schedule formats will change to include the additional six months on Schedule E1-B, E2, E7, E8 and E10. The remaining projection schedules require an expanded coverage period and applicable notations of covered periods.

- Q8) What are the expected advantages and savings of conducting the cost recovery hearings on an annual basis?**

The expected advantages and savings of conducting the cost recovery hearings on an annual basis includes the following:

- Reduction of legal bills
- Administrative savings
- Paperwork reduction

These result primarily from having only one projection filing and hearing instead of two. If the period is also changed to a calendar year, additional savings will be realized due to the reduction of work; we are already required to calculate the fuel information on a

calendar year basis for our budgeting process.

- Q9) What are the expected disadvantages and costs of conducting cost recovery hearings on an annual basis?**

There are no disadvantages to changing the hearings to an annual basis as long as the period and timing of the filing and hearing does not conflict with other work deadlines.

- Q10) When should the Commission implement the change to annual hearings?**

FPUC would be in favor of making the initial period of implementation and fuel projection filing to cover the period of either October 1998 through December 1999 or October 1998 through December 1998 and in both instances all periods thereafter would be a calendar year. We would implement this new period during our next projection filing and period.

Calendar year Fuel Projections could be filed in September and the hearings held in November. The audits on these projections and the previous year's actual filings can be done in October. During the first period of implementation, filings, and hearing, audit timings would remain the same as is currently in effect.

- Q11) What are the expected advantages of calculating the cost recovery factors based upon a calendar year basis?**

FPUC is in favor of a twelve-month period on a calendar year basis. We currently are projecting this information for our internal budget process on a calendar year basis. We should still have the ability to change our rates through a mid-course correction if necessary; however, the process would become more productive by following our current budget period.

Additionally, under the current April 1-March 31 period the Company has the six months of most volatile pricing and variable sales at the immediate end of the period. Shift to a calendar year reduces uncertainties by bisecting this most unpredictable period.

- Q12) What are the expected disadvantages of calculating the cost recovery factors based upon a calendar year basis?**

None.

- Q13) What are the expected advantages of calculating the cost recovery factors based upon a non-calendar year basis?**

None.

- Q14) What are the expected disadvantages of calculating the cost recovery factors based upon a non-calendar year basis?**

FPUC would not realize the improved operating efficiency associated with having the cost recovery factor calculations in alignment with our calendar fiscal year.