



For the period November 1997 through April 1998, a limit of \$10 was placed on the amount of each WNA charge. However, there was no limit to the amount of any possible credit. For the final period of the experiment (November 1998 through April 1999), a cap of \$10 was approved for both credits and charges. On August 27, 1998, Peoples filed a petition to cancel Rider WNA before the final year of the experiment.

### **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve Peoples' petition for the authority to cancel the WNA Rider?

**RECOMMENDATION:** Yes. The Commission should approve Peoples' petition for the authority to cancel the WNA Rider. (Lowery)

**STAFF ANALYSIS:** WFNG's original proposed WNA Rider was intended to be a rate mechanism that would attempt to offset the impact of unusually cold or warm winters on its revenues and income. The WNA Rider, during its experimental years, was to be in effect from November through April. Because its service territory was located 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 WNA Rider 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.

During the first period of the pilot program (November 1996 through April 1997), WFNG's Panama City and Ocala operating divisions, overall, experienced the 50th warmest winter in United States history. As a result, weather-normalized customers were

DATE: September 24, 1998

assessed additional monies during most of the weather-normalized months.

During the second year of the program (November 1997 through April 1998), WFNG's Panama City Region experienced colder than normal temperatures during each of the weather normalized months, and therefore received a credit for each of the six months. On the other hand, the Ocala Region customers experienced warmer than normal temperatures and received a charge during January and February.

The extreme differences between the two regions can be attributed to El Nino's residual effects on Florida's weather patterns. To date, Peoples has refunded \$70,236 more than they collected through the WNA Rider. However, because of the differences in weather patterns, the customers in Panama City have received an overall credit, while the Ocala customers have experienced an overall charge. On average, residential customers in Panama City were credited a total of thirty-seven dollars over the past two seasons of the experiment, while the Ocala residential customers were charged an additional fifteen dollars over the same period.

Weather normalization clauses are an attempt to minimize the revenue impact of abnormal temperatures and are being used in twenty-six states, as well as Canada. These clauses are designed to be in place over long periods of time, such as twenty to thirty years. 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. However, since the purchase of WFNG by Peoples, on June 30, 1997, this mechanism is no longer a necessity.

Peoples Gas System is significantly larger in total customers than WFNG. WFNG had approximately 28,000 residential and commercial customers, compared to Peoples' 200,000 residential and commercial customers, a majority of which are located in Central and Southern Florida. As a result, Peoples' revenues do not experience an impact as dramatic as WFNG's due to severe weather anomalies. Therefore, the potential for revenue fluctuation, as a result of extreme temperatures, appears to be largely reduced.

At the present time, the aggregate amount of the adjustments to customers' bills has been a cumulative credit of \$70,236, in favor of the customers. However, Peoples does not wish to recover the cumulative differential at this time, or in any future rate case. Staff believes that continuing this program for its final

DOCKET NO. 971618-GU  
DATE: September 24, 1998

year would proceed to place either the customers or the company in an unnecessary risk, which is contrary to the basic intent of the program. Accordingly, staff recommends that Peoples' petition be approved and the WNA Rider discontinued upon Commission approval.

**ISSUE 2:** What is the appropriate effective date for the cancellation of Peoples' WNA Rider?

**RECOMMENDATION:** The effective date for the cancellation of Peoples' WNA Rider should be the date of the Commission's vote. (Lowery)

**STAFF ANALYSIS:** Staff believes the effective date for the cancellation of Peoples' WNA Rider should be the date of the Commission's vote.

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes. This docket should be closed if no person whose substantial interests are affected by the proposed action files a protest within the 21-day protest period. (W. Keating)

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed.