



Public Service Commission

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SECRETARY

DATE: SEPTEMBER 24, 1998

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

FROM: DIVISION OF ELECTRIC AND GAS (MARIN, BULECZA-BANKS)
DIVISION OF LEGAL SERVICES (C. KEATING) WCK RVE

RE: DOCKET NO. 981087-GU - PETITION BY TAMPA ELECTRIC COMPANY
D/B/A PEOPLES GAS SYSTEM FOR APPROVAL OF NATURAL GAS
TRANSPORTATION AGREEMENT WITH SEBRING GAS SYSTEM, INC.

AGENDA: 10/06/98 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 10/31/98

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\981087.RCM

CASE BACKGROUND

In 1987, Sebring Utilities Commission (Sebring Utilities) owned and operated a six-inch natural gas pipeline extending from an interconnection with Florida Gas Transmission (FGT) at Avon Park, Florida, to Sebring Utilities' Dinner Lake Plant and on to its Park Street electric plant. On September 16, 1987, Sebring Utilities entered into a transportation agreement with Sebring Gas System, Inc. (Sebring Gas) (the "Sebring Gas Transportation Agreement") to transport natural gas through the pipeline to Sebring Gas' gate station.

On February 28, 1991, Sebring Utilities and Tampa Electric Company (Tampa Electric) entered into a series of agreements concerning a transfer of Sebring Utilities' electric facilities to Tampa Electric. As part of this transaction, Sebring Utilities and Tampa Electric entered into an agreement providing for the transportation of natural gas through the six-inch pipeline by

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Sebring Utilities. The gas would be transported to the electric generating facilities acquired by Tampa Electric.

In addition, Tampa Electric acquired from Sebring Utilities a vested right to take, at a future date, title to and ownership of the pipeline, as well as an assignment of Sebring Utilities' rights under the Sebring Gas Transportation Agreement.

On July 26, 1993, the City of Sebring, by assignment, assumed Sebring Utilities' obligations to convey the pipeline and assign the Sebring Gas Transportation Agreement to Tampa Electric.

On June 10, 1997, by bill of sale, the City of Sebring transferred its interest in the pipeline, and assigned the Sebring Gas Transportation Agreement, to Tampa Electric. Because Peoples Gas System (Peoples) is a division of Tampa Electric, Tampa Electric transferred ownership of the pipeline to Peoples and Peoples assumed the rights and obligations originally held by Sebring Utilities under the Sebring Gas Transportation Agreement. Peoples became obligated, in June 1997, to transport natural gas through the pipeline, for the benefit of Sebring Gas, at a rate of \$0.35 per MCF established in Article VII of the Sebring Gas Transportation Agreement dated September 16, 1987.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Peoples' petition for approval of a Natural Gas Transportation Agreement with Sebring Gas?

RECOMMENDATION: Yes. The Commission should approve Peoples' petition for approval of a Natural Gas Transportation Agreement with Sebring Gas. (Bulecza-Banks, Makin)

STAFF ANALYSIS: Rule 25-9.034(2), Florida Administrative Code, requires a utility to file with the Commission a conformed copy of all special contracts which are currently in effect and which have not been previously filed.

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The transportation rate specified by the Sebring Gas Transportation Agreement differs from the rate set forth in Peoples' present Natural Gas Tariff, which would otherwise be applicable to transportation performed by Peoples for Sebring Gas. On August 31, 1998, Peoples filed its petition for approval of a Natural Gas Transportation Agreement with Sebring Gas.

Staff notes that the Natural Gas Transportation Agreement with Sebring Gas should have been filed at, or about, the same time Peoples' merger into Tampa Electric was consummated in mid-June 1997. According to Peoples, this filing was inadvertently overlooked.

Peoples states in their petition that approval of the Sebring Gas Transportation Agreement, as a special contract, is in the best interest of Peoples' customers and of Sebring Gas. The \$0.35 per MCF, or 3.5 cents per therm rate, charged by Peoples to Sebring Gas under the agreement since mid-June 1997, is the same rate that had been charged by Sebring Utilities to Sebring Gas since the Agreement was executed in 1987. In essence, the agreement provides for firm transportation service to Sebring Gas. Both parties to the contract still agree to the current rate, which produces revenue to Peoples of almost \$2,000 per month, or about \$24,000 annually. The annual operating and maintenance expense associated with the pipeline is approximately \$2,500. Therefore Peoples' customers benefit from the return derived from the rate provided in the agreement.

Accordingly, Staff recommends the Natural Gas Transportation Agreement be approved, effective the date of the Commission's vote.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no substantial affected person files a protest within 21 days of the issuance of the Commission order, the docket should be closed. If a protest is filed within 21 days from the issuance of the Commission order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest. (Keating)

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STAFF ANALYSIS: If no substantial affected person files a protest within 21 days of the issuance of the Commission order, the docket should be closed. If a protest is filed within 21 days from the issuance of the Commission order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest.