

State of Florida



Public Service Commission

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RECORDS AND REPORTING

**DATE:** SEPTEMBER 14, 2000

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

**FROM:** DIVISION OF COMPETITIVE SERVICES (MAKIN, BULECZA-BANKS)  
DIVISION OF LEGAL SERVICES (C. KEATING) *RUE For WCK*

**RE:** DOCKET NO. 000003-GU - PURCHASED GAS ADJUSTMENT (PGA)  
TRUE-UP - PETITION OF INDIANTOWN GAS COMPANY, INC. FOR  
APPROVAL OF MID-COURSE CORRECTION IN PGA CAP

**AGENDA:** SEPTEMBER 26, 2000 - REGULAR AGENDA - INTERESTED PERSONS  
MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMP\WP\000003-B.RCM

DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission grant Indiantown Gas Company's, (Indiantown or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 47.941 cents per therm to 70.469 cents per therm?

**RECOMMENDATION:** Yes. The Commission should approve the Company's proposed PGA cap of 70.469 cents per therm effective October 1, 2000, through the December 31, 2000 billing cycles. (MAKIN)

**STAFF ANALYSIS:** On September 13, 2000, Indiantown filed a petition for expedited relief in the form of a mid-course correction to its currently authorized purchased gas adjustment cap for the period October 1, 2000, through December 31, 2000. Jurisdiction over this matter is vested in the Commission by several provisions of Chapter

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366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Indiantown's existing PGA factor for the period January 2000 through December 2000 is 47.941 cents per therm. The 47.941 factor was derived by dividing projected purchased gas costs of \$2,254,276 by projected therm sales of 4,792,700.

Currently, Indiantown projects to have an underrecovery of \$351,436 for this recovery period. The proposed increase in the PGA cap to 70.469 cents per therm for October 1, 2000, through December 31, 2000, will not eliminate the full amount of the projected underrecovery. The increase will, however, reduce the amount which will be included in the projected January 2001 through December 2001 period.

Indiantown's expenses have increased, as a result of increased gas costs on a national level. Further, the Company historically has experienced higher gas costs during the winter months. Increasing the PGA cap from 47.469 to 70.469 cents per therm during the period October 1, 2000 through December 31, 2000, will cause a \$5.63 increase per month for residential customers using 25 therms.

Increasing the PGA cap now will help reduce the impact of the underrecovery on ratepayers during the twelve month period of January 2001 through December 2001.

Indiantown has requested that the mid-course correction become effective with the first billing cycle in October 2000. Unlike the recent City Gas mid-course correction, Indiantown will not need to prorate the mid-course correction because the implementation begins with the first billing cycle in October.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective October 1, 2000 (October's first billing cycle reading date).

Staff recognizes there will not be time to conduct a prudence review of Indiantown's re-projections of purchased gas costs prior to implementing the increase in the PGA factor. However, a prudence review will occur in preparation for the hearing in Docket No. 000003-GU, scheduled for November 2000. If the increase in the cost recovery cap is ultimately found imprudent, Indiantown's ratepayers will suffer no harm since any costs found imprudent will be disallowed for recovery and will flow back to the ratepayers through the true-up mechanism.

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

**RECOMMENDATION:** No. The Purchased Gas Adjustment True-up docket is ongoing and should remain open. (C. KEATING)

**STAFF ANALYSIS:** The Purchased Gas Adjustment True-up docket is ongoing and should remain open.