



Public Service Commission

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DATE: JANUARY 25, 2001

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

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

RE: DOCKET NO. 010003-GU - PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP - PETITION OF SOUTH FLORIDA NATURAL GAS FOR APPROVAL OF MID-COURSE CORRECTION IN PGA CAP

AGENDA: FEBRUARY 6, 2001 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\010003e.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant South Florida Natural Gas' (South Florida or the Company) petition for an increase in its Purchased Gas Adjustment (PGA) cap from 79.208 cents per therm to \$1.25944 per therm?

RECOMMENDATION: Yes. The Commission should approve the Company's proposed PGA cap of \$1.25944 per therm effective for all meter readings taken on or after February 6, 2001, the date of the Commission's vote in this matter. (MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: On January 16, 2001, South Florida filed a petition for relief in the form of a mid-course correction to its currently authorized purchased gas adjustment cap to become effective as of the date of the Commission's vote through December 31, 2001. Jurisdiction over this matter is vested in the Commission

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by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

South Florida's existing PGA (Cap) factor for the period January 2001 through December 2001 is 79.208 cents per therm. This factor was derived by dividing projected purchased gas costs of \$2,275,747 by projected therm sales of 3,093,541.

Currently, South Florida projects to have an underrecovery of \$933,218 for this recovery period. The proposed increase in the PGA cap to \$1.25944 per therm for February 6, 2001, through December 31, 2001, 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 2002 through December 2002 recovery period. Increasing the PGA cap from 79.208 cents per therm to \$1.25944 per therm during the period February 6, 2001, through December 31, 2001, will cause an \$11.68 increase per month for residential customers using 25 therms, if the cap is charged.

South Florida's purchased gas costs have increased. The costs have increased because of drastic increases in the price of natural gas during the current winter season. Since the Company's cap was approved by the Commission in December 2000, colder than normal winter weather across the mid-west and northeast United States and historically low storage levels have caused an unprecedented increase in natural gas cost on a national basis. The resulting price volatility and upward pressures are expected to continue, and may even affect the summer electric generation season. There are no current indications that natural gas prices will experience any meaningful decrease in the next several months.

Accordingly, Staff recommends approval of the requested mid-course correction to become effective with all meter readings taken on and after February 6, 2001, the date of the Commission vote in this matter, through December 31, 2001.

Staff recognizes there will not be time to conduct a prudence review of South Florida'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. 010003-GU, scheduled for November 2001. If the increase in the cost recovery cap is ultimately found imprudent, South Florida'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.

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