

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public  
Utilities Company for Approval of  
Initial Transportation Cost Recovery  
Factors.

010846 -GU

PETITION FOR APPROVAL OF INITIAL  
TRANSPORTATION COST RECOVERY FACTORS

Florida Public Utilities Company (the Company), by and through its undersigned counsel, hereby petitions for approval of its initial transportation cost recovery factors, and in support hereof states as follows.

1. The name and address of the petitioner are:

Florida Public Utilities Company  
P.O. Box 3395  
West Palm Beach, FL 33402-3395

2. The name, address, and telephone and/or fax numbers of the persons authorized to receive notices and communications with respect to this petition are:

George M. Bachman  
CFO and Treasurer  
Florida Public Utilities Company  
P.O. Box 3395  
West Palm Beach, FL 33402-3395  
(561) 838-1731 (telephone)

Wayne L. Schiefelbein  
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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

3. The Company is a natural gas distribution utility subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Its substantial interests will be affected by the Commission's disposition of this petition in that the Company's ability to recover certain costs associated with its offering of unbundled gas transportation service will be thereby determined.
4. By Order No. PSC-00-0630-FOF-GU, issued on April 4, 2000, the Commission adopted Rule 25-7.0335, Florida Administrative Code, requiring each local distribution company to offer the transportation of natural gas to all non-residential customers, and, in order to meet that objective, to file a transportation service tariff with the Commission by July 1, 2000.
5. Prior to adoption of said rule, the Company provided transportation service under three rate schedules: Large Volume Transportation Service (LVTS), Interruptible Transportation Service (ITS), and Large Volume Interruptible Transportation Service (LVITS), with various transportation imbalance billing adjustments.
6. In accordance with said rule, on June 30, 2000, the Company filed its proposed transportation service tariff. The Company thereby proposed refinements to its existing LVTS, ITS and LVITS rate schedules, and an all new General Service Transportation Service (GSTS) rate schedule, beginning August 1, 2001.
7. By Order No. PSC-01-0073-TRF-GU, issued on January 9, 2001, the Commission approved the Company's proposed transportation service tariff, effective August 1, 2001.
8. Under the Company's new transportation service tariffs, as approved by the Commission, participating customers select a Pool Manager that would be responsible for the purchasing and scheduling of natural gas for the customers' accounts. However, Rate Schedule LVITS and special contract customers are excluded from this requirement

because they are deemed large enough to purchase their own gas directly from suppliers.

9. In approving the Company's new transportation service tariffs, the Commission recognized that the Company would incur additional expenses in making transportation service available to all non-residential customers. The Commission therefore approved certain charges designed to recover incremental costs to be incurred by the Company in providing such unbundled transportation service. The Commission found that such charges are "designed to recover incremental cost incurred by the Company and should have no impact on the Company's earnings."
10. The Commission granted the Company the authority to "accrue expenses, including implementation expenses, associated with the offering of transportation services to all non-residential customers," and to recover those expenses through a Transportation Cost Recovery Clause applicable to all non-residential customers, excluding LVITS customers and special contract customers. (Original Tariff Sheet No. 35.7) The Commission directed that such start-up expenses would be recovered over a four-year period, with any over- or under-recovery trued-up at the end of the recovery period. The Commission further directed that the total period for collection of such expenses would not exceed five years from the tariffs' August 1, 2001 effective date. The Commission approved the Company's proposal to petition the Commission for recovery of those actual expenses at a future date.
11. The Company now projects that by the August 1, 2001, effective date of its unbundled transportation service tariff, it will have incurred \$89,100.00 in expenses, including implementation expenses, associated with the offering of transportation services to all its non-residential customers. These expenses are summarized on the attached Schedule B. The Company proposes to recover those expenses over a four-year period, with any over- or under-recovery trued-up at the end of the four-year period, in accordance with the approved

tariff for its Transportation Cost Recovery Clause. The Company proposes the following initial cost recovery factors (cents per therm) under the Transportation Cost Recovery Clause:

General Service & General Transportation	0.076
Large Volume Service & Large Volume Transportation	0.051
Interruptible Service & Interruptible Transportation	0.024

The Company's derivation of these factors is shown on the attached Schedule A.

12. The proposed factors under the Transportation Cost Recovery Clause will not be applied to non-residential customers served under a special contract or the LVITS rate schedule. The Company has included, and will continue to include, the cost of providing transportation service within its Cost of Service studies for special contracts and the LVITS rate schedule.
13. In its approval of the Company's expanded transportation services tariffs earlier this year, the Commission also approved the Company's proposed Non-monitored Transportation Administration Charge ("NTAC"). As approved, the NTAC applies to all non-residential customers not subject to the Company's Transportation Administration Charge. Customers subject to the NTAC are not required by the Company to have electronic measurement equipment for the monitoring of their gas usage. The function of the NTAC is to allow the recovery of the Company's incremental expenses, beyond the expenses covered through the Transportation Cost Recovery Clause, on a going forward basis. As approved, the NTAC is to be billed on a cents-per-therm basis applied to the customer's actual natural gas consumption. (Original Tariff Sheet No. 35.7) The

tariff calls for the NTAC rate to be filed with Staff on an annual basis. In the January 2001 Order, the Commission approved the Company's proposal to petition the Commission for these expenses at a future date.

14. The Company now projects that in an initial period from August 1, 2001 through December 31, 2002, it will incur \$110,000.00 in going forward expenses associated with making transportation service available to all non-residential customers. These expenses are summarized on the attached Schedule D. In accordance with its approved tariff, the Company proposes to recover those expenses for said period, on a cents-per-therm basis applied to the customer's actual consumption, with any over- or under-recovery trued up at the conclusion of said period. The Company proposes the following initial cost recovery factors (cents per therm) as the NTAC for the initial August 2001 through December 2002 period:

General Service & General Transportation	0.381
Large Volume Service & Large Volume Transportation	0.253
Interruptible Service	0.114

The Company's derivation of these factors is shown on the attached Schedule C. The Company will seek recovery of such ongoing expenses in subsequent periods through separate petitions.

15. The proposed initial NTAC would not be applied to non-residential customers served under special contract, or larger transportation customers, which by tariff or contract are required to have Company-provided telemetry at their site(s) to provide real-time consumption data to the Company, and which are therefore subject to the Company's Transportation Administration Charge. The Company has included, and will continue to include, the cost of providing transportation service within its Cost of Service studies

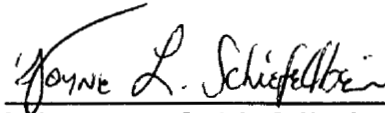
for such customers.

16. The Company submits that the cost recovery factors proposed herein are fair, and reasonably designed to recover incremental expenses associated with the offering and provision of transportation services to all its non-residential customers. Such costs, estimated as necessary for the collection periods, are annualized and spread among the rate schedules using the same methodology as the natural gas conservation cost recovery clause. The Company used the annualized budget data for 2001 for the number of bills and therms and then spread the annualized costs to the different rate schedules based on weighted average base revenues. The Company believes that this approach provides a fair reflection of the mix that will exist over the respective initial collection periods for the Transportation Cost Recovery Clause and the Non-monitored Transportation Charge.
17. Submitted concurrently with the instant petition is a proposed revised tariff sheet (First Revised Sheet No. 35.7) which sets forth the proposed charges.
18. The Company requests that the Commission's approval of the proposed charges be made effective as of the date of its vote. In the event that any person files a valid objection to a tariff Order approving the charges, the Company requests that it be authorized to collect its proposed charges on a temporary basis subject to refund, to preserve the Company's ability to retain such revenue to the extent that the charges are sustained by subsequent Commission action.
19. The Company may petition the Commission for approval of recovery of other incremental expenses related to transportation service, through a methodology or methodologies to be determined in future proceedings.

WHEREFORE, Florida Public Utilities Company requests that the Commission approve the foregoing petition and the accompanying proposed revised tariff sheet, and grant the Company the authority to implement the initial cost recovery factors therein addressed, and that

such approval be made effective on the date of the Commission's vote, so that in the event of any valid objection to the order approving the factors being filed, the Company would collect its proposed charges subject to refund pending the Commission's final disposition of the matter.

Respectfully submitted,



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Attorney for Florida Public  
Utilities Company

SCHEDULE A  
PAGE 1 OF 1

FLORIDA PUBLIC UTILITIES COMPANY

FLORIDA PUBLIC UTILITIES COMPANY  
NATURAL GAS DIVISIONS  
TRANSPORTATION COST RECOVERY CLAUSE  
AUGUST 2001 THROUGH JULY 2005

1. INITIAL ANNUAL COST (SCHEDULE D, PAGE 1)	\$ 22,275
2. TRUE-UP	0
3. TOTAL (LINE 1 AND LINE 2)	\$ 22,275

RATE SCHEDULE		ANNUAL BILLS	ANNUAL THERMS	ANNUAL CUSTOMER CHARGE	ANNUAL NON-GAS ENERGY CHARGE	TOTAL CUST & ENGY CHG REVENUE	TCRC REVENUES	TCRC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GENERAL TRANSPORTATION	*11 *90	36,756	11,711,350	551,340	2,519,463	3,070,803	8,886	0.28937%	0.00076	1.00503	0.00076
LARGE VOL. SERVICE & LG. VOL. TRANSPORTATION(<50,000 Th/Yr) & LG VOL. TRANSPORTATION(>=50,000 Th/Yr)	*51 *91 *94	10,792	25,453,750	493,560	3,938,713	4,432,273	12,826	0.28937%	0.00050	1.00503	0.00051
INTERRUPTIBLE SERVICE & INTERUPT. TRANSPORTATION	*61 *92	168	2,333,510	40,320	154,292	194,612	563	0.28937%	0.00024	1.00503	0.00024
TOTAL		47,716	39,498,610	1,085,220	6,612,468	7,697,688	22,275				



**Florida Public Utilities Company, Natural Gas Divisions  
Transportation Cost Recovery Clause  
Applicable to Commercial Rate Schedule Customers**

<u>Category/Item</u>	<u>Amount</u>	<u>Total</u>
<u>PURCHASES &amp; LEASES</u>		
Notebook Computers Lease	\$ 1,600.00	
Facsimile/Copier/Scanner	1,000.00	
Office Furniture	1,000.00	
Phone Equipment and Line Installation	<u>1,000.00</u>	\$ 4,600.00
<u>FPU LABOR &amp; TRAINING EXPENSE</u>		
Program Development	\$ 31,000.00	
Implementation	<u>30,000.00</u>	61,000.00
<u>EXTERNAL LABOR</u>		
Brochure Printing & Mailing	\$ 5,000.00	
Website Development	1,000.00	
Legal Expense	16,500.00	
Shipping	<u>1,000.00</u>	23,500.00
<b>ESTIMATED INITIAL COST</b>		<b><u><u>\$ 89,100.00</u></u></b>
Cost divided over 4 years		
<b>ESTIMATED ANNUAL COST</b>		<b><u><u>\$ 22,275.00</u></u></b>

SCHEDULE C  
 PAGE 1 OF 1

FLORIDA PUBLIC UTILITIES COMPANY

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS DIVISIONS  
 NON-MONITORED TRANSPORTATION ADMIN CHARGE  
 AUGUST 2001 THROUGH DECEMBER 2002

1. TOTAL ANNUAL COST (SCHEDULE B, PAGE 1)	\$ 110,000
2. TRUE-UP	0
3. TOTAL (LINE 1 AND LINE 2)	\$ 110,000

RATE SCHEDULE		ANNUAL BILLS	ANNUAL THERMS	ANNUAL CUSTOMER CHARGE	ANNUAL NON-GAS ENERGY CHARGE	TOTAL CUST & ENGY CHG REVENUE	ANNUAL NTAC REVENUES	NTAC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GS TRANSPORTATION	*11 *90	36,756	11,711,350	551,340	2,519,463	3,070,803	44,369	1.44487%	0.00379	1.00503	0.00381
LARGE VOL. SERVICE & LG. VOL. TRANSPORTATION(<50,000 Th/Yr)	*51 *91	10,792	25,453,750	493,560	3,938,713	4,432,273	64,041	1.44487%	0.00252	1.00503	0.00253
INTERRUPTIBLE SERVICE	*61	72	1,403,020	17,280	92,768	110,048	1,590	1.44487%	0.00113	1.00503	0.00114
TOTAL		47,620	38,568,120	1,062,180	6,550,944	7,613,124	110,000				

Note: Lg. Vol. Transportation Customers >=50,000 Th/Yr and Interruptible Transportation Service Customers are not subject to the (NTAC) since they are already charged a Transportation Administrative Charge (TAC).

**Florida Public Utilities Company, Natural Gas Divisions  
Non-Monitored Transportation Administration Charge  
Applicable to Non-Monitored Commercial Rate Schedule Customers**

<u>Annual Expenditure</u>		<u>Amount</u>
<u>LEASES</u>		
Notebook Computers Lease	\$ 6,000.00	
Voicemail Ports ACD Box	<u>3,000.00</u>	\$ 9,000.00
<u>FPU LABOR &amp; TRAINING EXPENSE</u>		
Labor		95,000.00
<u>EXTERNAL LABOR</u>		
Legal Expense	\$ 5,000.00	
Advertising & Postage	<u>1,000.00</u>	6,000.00
<b>Estimated Total</b>		<b>\$ <u><u>110,000.00</u></u></b>

BILLING ADJUSTMENTS  
(Continued from Sheet No. 35.6)

The Pool Manager Imbalance Level shall be calculated by dividing the absolute value of the Pool Manager Imbalance by the aggregate Billing Period Delivery Quantity for all Customers being served by Pool Manager.

- B. Pool Manager Monthly Delivery Variance  
Invoices to Pool Manager for Pool Manager Monthly Delivery Variance will be computed using the following methodology. Invoices will be based on the Company's PGCRF in effect during the month the delivery variance was created.

Transportation Cost Recovery Clause

Company shall accrue expenses, including implementation expenses, associated with the offering of transportation services to all non-residential customers. Such expenses shall be recovered by Company through a Transportation Cost Recovery Clause ("TCR") applicable to all non-residential customers excluding Large Volume Interruptible Transportation Service customers and any other customer(s) under special contracts.

The TCR factors applicable for the period August 2001 through July 2005 are as follows:

<u>Rate Class</u>	<u>Factor</u>
<u>Rate Schedule GS</u>	<u>0.076 cents per therm</u>
<u>Rate Schedule GSTS</u>	<u>0.076 cents per therm</u>
<u>Rate Schedule LVS</u>	<u>0.051 cents per therm</u>
<u>Rate Schedule LVTS</u>	<u>0.051 cents per therm</u>
<u>Rate Schedule IS</u>	<u>0.024 cents per therm</u>
<u>Rate Schedule ITS</u>	<u>0.024 cents per therm</u>

Non-monitored Transportation Administration Charge

A Non-monitored Transportation Administration Charge ("NTAC") shall apply to all non-residential customers not subject to a Transportation Administration Charge ("TAC"). Such customers will not be required by the Company to have electronic measurement equipment for the monitoring of their gas usage. The NTAC shall be billed on a per therm basis applied to the customer's natural gas consumption. The NTAC rate shall be filed with staff on an annual basis. The NTAC is instituted to compensate the Company for its incremental expense, beyond those expenses covered through the TCR, associated with making transportation service available to all non-residential customers.

The NTAC factors applicable for the period August 2001 through December 2002 are as follows:

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<u>Rate Schedule LVS</u>	<u>0.253 cents per therm</u>
<u>Rate Schedule LVTS</u>	<u>0.253 cents per therm</u>
<u>Rate Schedule IS</u>	<u>0.114 cents per therm</u>

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(Continued from Sheet No. 35.6)

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Rate Schedule LVTS	0.051 cents per therm
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Rate Schedule ITS	0.024 cents per therm

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Rate Schedule GSTS	0.381 cents per therm
Rate Schedule LVS	0.253 cents per therm
Rate Schedule LVTS	0.253 cents per therm
Rate Schedule IS	0.114 cents per therm