



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: SEPTEMBER 4, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (MAKIN,
MARSHALL, BULECZA-BANKS) *CRB*
OFFICE OF THE GENERAL COUNSEL (K. FLEMING) *Wet*

RE: DOCKET NO. 030462-GU - PETITION OF INDIANTOWN GAS COMPANY
FOR APPROVAL OF TRANSITION COST RECOVERY CHARGE AND FOR
APPROVAL OF FINAL PURCHASED GAS ADJUSTMENT TRUE-UP CREDIT.

AGENDA: 09/16/03 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\030462.RCM

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CASE BACKGROUND

In April, 2000, the Commission adopted Rule 25-7.0335, Florida Administrative Code (Gas Transportation Rule). The Rule required all local distribution companies (LDCs) to offer transportation service to all of its non-residential customers. The Rule further provided that natural gas utilities "may offer the transportation of natural gas to residential customers when it is cost effective to do so." At the time of the Commission's adoption of the new Gas Transportation Rule, Indiantown Gas Company (Indiantown or the Company) did not offer transportation service to any of its customers. On July 20, 2000, the Company filed a proposed transportation service tariff that was similar in form and substance to the Staff's model transportation tariff. By Order No. PSC-01-0070-TRF-GU, issued on January 9, 2001, the Commission approved Indiantown's transportation service tariff.

DOCUMENT NUMBER-DATE

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On May 24, 2002, Indiantown filed a petition seeking Commission approval of its proposal to exit the merchant function and transfer all remaining sales customers to transportation service. As proposed, Indiantown would implement the unbundling process in three phases. Phase One would be for a two-year period where all remaining residential and non-residential sales customers would receive gas supply service through one qualified Pool Manager, selected by the Company through a Request for Proposals (RFP) process. Phase Two would expand the choices available. The Company would retain, through a RFP process similar to that used in Phase One, a minimum of two Pool Managers. Customers would have the ability to choose between the two Pool Managers. Phase Three would completely transition customers to a fully competitive marketplace.

By Order No. PSC-02-1655-TRF-GU, issued November 26, 2002, the Commission approved Phase One of Indiantown's proposal as an experimental and transitional pilot program pursuant to Section 366.075, Florida Statutes for a two-year period. Near the end of the initial two-year period, the Company will evaluate customer acceptance of the program, assess its own capabilities to expand program options, and make a determination of the feasibility and timing for initiating Phase Two. Indiantown will also report to the Commission the results of Phase One, and the customer education and implementation plan for Phase Two. After submitting the report, Indiantown will petition the Commission for approval to start implementing Phase Two.

The order further stated that Indiantown would no longer participate in the Purchased Gas Adjustment (PGA) Clause and would be required to file a petition to dispose of its final PGA true-up.

On May 28, 2003, Indiantown filed a petition for approval of its final purchased gas adjustment, and also requested approval of a transition cost recovery charge. This recommendation addresses Indiantown's petition.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Indiantown Gas Company's proposal to refund the final PGA overrecovery balance of \$36,743 to all its customers who received sales service during 2002?

RECOMMENDATION: Yes. The Commission should approve Indiantown Gas Company's proposal to refund the final PGA overrecovery balance of \$36,743 to all its customers who received sales service during 2002, effective the date of the Commission's vote in this matter. (MAKIN, MARSHALL, BULECZA-BANKS)

STAFF ANALYSIS: Indiantown has proposed to refund the final Purchased Gas Adjustment (PGA) overrecovery balance to all its customers who received sales service during 2002. The Company's final PGA balance, including interest and staff audit adjustments, is a \$36,743 overrecovery. Given the relatively small amount involved, the Company proposes to refund the PGA true-up to various customer classes through a credit issued on the September, 2003, bills. However, the Company has identified one customer that would not receive a refund.

Since August 1, 2001, Louis Dreyfus/Caulkins Citrus Plant has been a transportation customer, and did not receive sales service in 2002. Accordingly, the Company is not proposing to allocate any of the PGA refund to this customer.

The Company proposes to allocate the PGA refund to the various customer classes on the basis of their therm consumption to total consumption during 2002, with the exception of the Louis Dreyfus/Caulkins Citrus Plant since they received transportation service throughout the year. Based on staff's analysis, the final PGA refund of \$36,743 should be approved.

ISSUE 2: Should the Commission grant Indiantown Gas Company's proposal to recover its costs of \$48,986 incurred in transitioning to transportation service?

RECOMMENDATION: Yes. The Commission should approve Indiantown Gas Company's proposal to recover its costs of \$48,986 incurred in transitioning to transportation service, effective the date of the Commission's vote in this matter. (MAKIN, M. MARSHALL, BULECZA-BANKS)

STAFF ANALYSIS: On May 28, 2003, Indiantown filed a petition seeking to recover \$55,049 of costs incurred in transitioning its customers to transportation service. On June 11, 2003, staff issued a data request to the Company seeking supporting data for the \$55,049 of costs included in its petition. The Company filed its response to staff's data request on July 8, 2003, and filed a supplemental response on August 13, 2003. In its supplemental filing the Company removed \$6,307 of costs identified by staff, as incorrectly included in its request for recovery, and filed a revised petition on August 27, 2003. The costs identified by staff as inappropriate included legal fees and computer costs that were not directly related to the transition to open access. The revised petition reflects a request for cost recovery of \$48,742.

The Company proposes to allocate these transition costs to its customer classes on the basis of their respective therm consumption to total consumption in 2002.

For ease of implementation, administrative efficiency, and to avoid customer confusion (as might arise when a customer sees both a credit and surcharge on his or her bill), the Company proposes to accomplish both the Transition Cost Recovery (TCR) and PGA True-Up refund via a single line item adjustment to customers' bills. Based on the allocation of the PGA overrecovery and the transition cost recovery charge, all but one customer would receive a net credit on their September, 2003, bill. Given the relatively small amount involved, the Company believes that it makes sense to implement the net credit in the simplest way possible.

Only one of the Company's customers, Louis Dreyfus/Caulkins Citrus Plant, will be charged its share of the TCR costs without a PGA credit since they received transportation service throughout 2002. That amount is \$22,158, which the Company proposes to collect via 24 equal monthly payments of \$923 without interest on

the outstanding balance. Indiantown has discussed the proposed charge with the Louis Dreyfus/Caulkins Citrus Plant and they do not object to the set monthly payments.

The following chart reflects the Company's proposed allocation of costs:

Customer Class	(1) PGA	(2) TCR	(3) (1) + (2) Difference	(4) # of Customers	(5) (3) / (4) Net (\$/Customer)
Residential	(\$ 2,055)	\$ 1,501	(\$ 554)	660	(\$ 0.84)
Commercial	(\$ 1,723)	\$ 1,258	(\$ 465)	22	(\$ 21)
Citrus Plnt	\$ 0	\$22,158	\$22,158	1	*\$ 923
Cogen Plant	(\$32,965)	\$24,069	(\$ 8,896)	1	(\$8,896)
TOTAL	(\$36,743)	**\$48,986	\$12,243	684	

*Amount per month for 24 months.

**Amount of \$48,742 grossed up for Regulatory Assessment Fees of .5% (\$48,742 X 1.005 = \$48,986).

Staff has performed a detailed analysis of the costs, and allocation methodology proposed by the Company. Based on this analysis, staff recommends that the Company's revised costs of \$48,742 be approved and that the costs should be allocated as proposed by the Company.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this Docket should be closed upon the issuance of a Consummating Order. (K. FLEMING)

STAFF ANALYSIS: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this Docket should be closed upon the issuance of a Consummating Order.