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State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

COMMISSION
CLERK

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

DATE: September 8, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper) *ED*
Office of the General Counsel (Crawford) *JSC* *CRB* *on*

RE: Docket No. 110241-GU – Petition by St. Joe Natural Gas Company, Inc. to reorganize the applicability of general service rate schedules and eliminate the GS-3 rate schedule.

AGENDA: 09/20/11 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 09/26/11 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110241.RCM.DOC

Case Background

On July 26, 2011, St. Joe Natural Gas Company, Inc. (St. Joe) filed a letter requesting that the Commission restructure the applicability of certain General Service (GS) and Firm Transportation Service (FTS) rate schedules and eliminate the GS-3 and FTS-3 rate schedules. The GS/FTS rate schedules apply to commercial customers, and there are no customers currently taking service on the GS-3 or FTS-3 rate schedule. St. Joe's current base rates and associated tariffs were approved in St. Joe's last rate case, Order No. PSC-08-0436-PAA-GU.¹

The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes.

¹ Order No. PSC-08-0436-PAA-GU, issued on July 8, 2008, in Docket No. 070592-GU, In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.

DOCUMENT NUMBER-DATE

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Discussion of Issues

Issue 1: Should the Commission approve St. Joe's proposal to restructure the applicability of the GS/FTS-2 and GS/FTS-4 rate schedules and eliminate the GS-3/FTS-3 rate schedules?

Recommendation: Yes. (Draper)

Staff Analysis: St. Joe's tariff provides for ten rate schedules for commercial customers: GS-1 through GS-5, and FTS-1 through FTS-5. Commercial customers elect either sales or transportation service. Sales customers receive their gas supply directly from St. Joe and take service under the GS rate schedules. Transportation customers arrange for the purchase of their gas through a gas marketer, and take service under the FTS rate schedules. The base rate charges are the same for sales and transportation customers.

The table below shows the current applicability and Gas Delivery Service Rate (therm charge) for rate schedules GS/FTS-2 through GS/FTS-4.

Rate Schedule	Applicability (annual therm consumption)	Therm Charge (cents/therm)
GS/FTS-2	2,000 - <25,000	31.801
GS/FTS-3	25,000 - <150,000	6.610
GS/FTS-4	150,000 - <1,000,000	11.749

St. Joe proposes to expand the applicability of the GS/FTS-2 and GS/FTS-4 rate schedules, and eliminate the GS/FTS-3 rate schedule. Specifically, GS/FTS-2 will be available for customers whose annual usage is equal or greater than 2,000 therms, but less than 87,500 therms. GS/FTS-4 will be available for customers whose annual usage is equal or greater than 87,500 therms, but less than 1,000,000 therms. St. Joe is not proposing any changes to the therm charges.

St. Joe believes that the drop in the therm charge from the GS/FTS-2 to the GS/FTS-3 rate schedule sends an inappropriate price signal. St. Joe further states that this condition arose because there were no customers taking service under the GS/FTS-3 tariff when the rate was set in St. Joe's last rate case and it would be appropriate to approve the proposed tariff schedule revisions to correct this rate anomaly.

Staff agrees that the GS/FTS-3 therm charge does not appear to be consistent with the level of the therm charges in the neighboring rate classes. In a cost of service study, costs are typically assigned to the various customer classes based on cost causation. Since at the time of St. Joe's last rate case no customers took service on the GS-3 or FTS-3 rate, nor were any customers forecast to take service on the GS-3 or FTS-3 rate for the test year, there were no costs or billing determinants associated with that rate to design cost-based rates. Since there are no

customers currently receiving service under the GS-3 or FTS-3 rate schedules, merging them with the other schedules will have no effect on existing customers or St. Joe's revenues. For the reasons stated above, staff recommends approval of St. Joe's proposal.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective on September 20, 2011. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Draper)

Staff Analysis: If Issue 1 is approved, the tariffs should become effective on September 20, 2011. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.