



Florida Public Service Commission

SPECIAL REPORT

AUGUST 2004 NO. 9

Application for a Rate Increase by **Sebring Gas System, Inc.**

On June 30, 2004, Sebring Gas System, Inc. (Sebring or the company) filed a petition for approval of a permanent rate increase with the Florida Public Service Commission (PSC or Commission). The utility is requesting the Commission's approval of a permanent rate increase of \$234,641 on an annual basis. This proceeding is Sebring's first request for an increase in its base rates and charges since its rates were initially established by Order No. PSC-92-0229-FOF-GU, issued April 20, 1992.

The current rate case is being processed under the PSC's "Proposed Agency Action" (PAA) procedure. Under the PAA process, the case will not be set for a formal hearing unless a timely protest to the Commission's proposed agency action is filed.

Sebring has indicated that it requested this increase to allow it to continue to provide safe, adequate, reliable and efficient service to customers and because of rising costs. The company indicates it has experienced increased operating costs, repair expenses, maintenance expenses and insurance costs. In addition, the company will need to invest in new facilities and replacement programs.

The staff of the PSC has scheduled a customer meeting on August 23, 2004 in the utility's service area to provide customers an opportunity to comment and ask questions regarding the company's proposed rate increase.

The company requested an interim increase of \$110,957. The interim rate increase is subject to refund, with interest, until after the Commission has completed its investigation. On August 17, 2004, the PSC suspended the utility's proposed permanent rate increase and approved an interim rate increase of \$97,211.

PSC staff is scheduled to make a final recommendation to the Commission on November 18, 2004, and the Commission's consideration and vote on this matter is scheduled for November 30, 2004.

CUSTOMER MEETING

DOCKET NO. 040270-GU

The meeting will begin as scheduled and will continue until all customers have been heard. If no customers are present, the meeting may be adjourned early. All persons desiring to comment on the utility's requested increase are urged to appear at the beginning of the meeting.

Monday, August 23, 2004

6:00 p.m.

Sebring Civic Center
355 West Center Avenue
Sebring, Florida

PSC Staff and Reference Numbers

For technical questions, contact:

John Slemkewicz (accounting) (850) 413-6420
David Wheeler (rate design) (850) 413-6670

For legal questions, contact:

Ralph Jaeger (850) 413-6234

For general questions, contact:

Dick Durbin (850) 413-6121

Or call toll-free 1-800-342-3552
(1-800-511-0809 to fax)

E-mail: contact@psc.state.fl.us
Internet Home Page: www.floridapsc.com

The following tables compare monthly residential bills at various usage levels using the company's current rates and the rates that the company has proposed. Under the company's proposal, residential customers would take service under one of two proposed new rate schedules, depending on the amount of gas they use per year. Residential customers who use up to 200 therms per year, or about 17 therms per month on average, would take service under the company's proposed Transportation Service-1 (TS-1) rate schedule. The bill comparisons for these customers are shown in the first table. Residential customers who use between 201 and 1,000 therms per year would take service under the company's proposed Transportation Service-2 (TS-2) rate schedule. The bill comparisons for these customers are shown in the second table.

Sebring Gas System, Inc.

BILL COMPARISONS - PRESENT & COMPANY PROPOSED RATES*

Residential Usage (0 to 200 therms per year)
Proposed Transportation Service - 1 Rate Schedule (TS-1)
Average Usage: 7 therms per month

PRESENT RATES

Customer Charge
\$7.00

Transportation Charge
(Cents per Therm)
35.500

Gas Cost - June 2004**
(Cents per Therm)
87.200

COMPANY PROPOSED TS-1 RATES

Customer Charge
\$10.00

Transportation Charge
(Cents per Therm)
60.536

Gas Cost - June 2004**
(Cents per Therm)
87.200

MONTHLY THERM USAGE	PRESENT MONTHLY BILL WITHOUT GAS COST	PRESENT MONTHLY BILL WITH GAS COST	COMPANY PROPOSED MONTHLY BILL WITHOUT GAS COST	COMPANY PROPOSED MONTHLY BILL WITH GAS COST	PERCENT INCREASE WITHOUT GAS COST	PERCENT INCREASE WITH GAS COST	DOLLAR INCREASE
1	\$7.36	\$8.23	\$10.61	\$11.48	44.2%	39.5%	\$3.25
2	\$7.71	\$9.45	\$11.21	\$12.95	45.4%	37.0%	\$3.50
3	\$8.07	\$10.68	\$11.82	\$14.43	46.5%	35.1%	\$3.75
4	\$8.42	\$11.91	\$12.42	\$15.91	47.5%	33.6%	\$4.00
5	\$8.78	\$13.14	\$13.03	\$17.39	48.5%	32.4%	\$4.25
6	\$9.13	\$14.36	\$13.63	\$18.86	49.3%	31.3%	\$4.50
7	\$9.49	\$15.59	\$14.24	\$20.34	50.1%	30.5%	\$4.75
8	\$9.84	\$16.82	\$14.84	\$21.82	50.8%	29.8%	\$5.00
9	\$10.20	\$18.04	\$15.45	\$23.30	51.5%	29.1%	\$5.25
10	\$10.55	\$19.27	\$16.05	\$24.77	52.2%	28.6%	\$5.50
11	\$10.91	\$20.50	\$16.66	\$26.25	52.8%	28.1%	\$5.75
12	\$11.26	\$21.72	\$17.26	\$27.73	53.3%	27.6%	\$6.00
13	\$11.62	\$22.95	\$17.87	\$29.21	53.9%	27.3%	\$6.25
14	\$11.97	\$24.18	\$18.48	\$30.68	54.3%	26.9%	\$6.51
15	\$12.33	\$25.41	\$19.08	\$32.16	54.8%	26.6%	\$6.76
16	\$12.68	\$26.63	\$19.69	\$33.64	55.3%	26.3%	\$7.01
17	\$13.04	\$27.86	\$20.29	\$35.12	55.7%	26.0%	\$7.26
18	\$13.39	\$29.09	\$20.90	\$36.59	56.1%	25.8%	\$7.51
19	\$13.75	\$30.31	\$21.50	\$38.07	56.4%	25.6%	\$7.76
20	\$14.10	\$31.54	\$22.11	\$39.55	56.8%	25.4%	\$8.01

* Bills do not include local taxes, franchise fees, or gross receipts taxes.

** Gas provided by Peninsula Energy Services Company.

Sebring Gas System, Inc.

BILL COMPARISONS - PRESENT & COMPANY PROPOSED RATES*

Residential Usage (201 to 1,000 therms per year)
Proposed Transportation Service - 2 Rate Schedule (TS-2)
Average Usage: 38 therms per month

PRESENT RATES

Customer Charge
\$7.00

Transportation Charge
(Cents per Therm)
35.500

Gas Cost - June 2004**
(Cents per Therm)
87.200

COMPANY PROPOSED TS-2 RATES

Customer Charge
\$15.00

Transportation Charge
(Cents per Therm)
50.020

Gas Cost - June 2004**
(Cents per Therm)
87.200

MONTHLY THERM USAGE	PRESENT MONTHLY BILL WITHOUT GAS COST	PRESENT MONTHLY BILL WITH GAS COST	COMPANY PROPOSED MONTHLY BILL WITHOUT GAS COST	COMPANY PROPOSED MONTHLY BILL WITH GAS COST	PERCENT INCREASE WITHOUT GAS COST	PERCENT INCREASE WITH GAS COST	DOLLAR INCREASE
16	\$12.68	\$26.63	\$23.00	\$36.96	81.4%	38.8%	\$10.32
18	\$13.39	\$29.09	\$24.00	\$39.70	79.3%	36.5%	\$10.61
20	\$14.10	\$31.54	\$25.00	\$42.44	77.3%	34.6%	\$10.90
22	\$14.81	\$33.99	\$26.00	\$45.19	75.6%	32.9%	\$11.19
24	\$15.52	\$36.45	\$27.00	\$47.93	74.0%	31.5%	\$11.48
26	\$16.23	\$38.90	\$28.01	\$50.68	72.6%	30.3%	\$11.78
28	\$16.94	\$41.36	\$29.01	\$53.42	71.2%	29.2%	\$12.07
30	\$17.65	\$43.81	\$30.01	\$56.17	70.0%	28.2%	\$12.36
32	\$18.36	\$46.26	\$31.01	\$58.91	68.9%	27.3%	\$12.65
34	\$19.07	\$48.72	\$32.01	\$61.65	67.8%	26.6%	\$12.94
36	\$19.78	\$51.17	\$33.01	\$64.40	66.9%	25.8%	\$13.23
38	\$20.49	\$53.63	\$34.01	\$67.14	66.0%	25.2%	\$13.52
40	\$21.20	\$56.08	\$35.01	\$69.89	65.1%	24.6%	\$13.81
42	\$21.91	\$58.53	\$36.01	\$72.63	64.3%	24.1%	\$14.10
44	\$22.62	\$60.99	\$37.01	\$75.38	63.6%	23.6%	\$14.39
46	\$23.33	\$63.44	\$38.01	\$78.12	62.9%	23.1%	\$14.68
48	\$24.04	\$65.90	\$39.01	\$80.87	62.3%	22.7%	\$14.97
50	\$24.75	\$68.35	\$40.01	\$83.61	61.7%	22.3%	\$15.26
52	\$25.46	\$70.80	\$41.01	\$86.35	61.1%	22.0%	\$15.55
54	\$26.17	\$73.26	\$42.01	\$89.10	60.5%	21.6%	\$15.84

* Bills do not include local taxes, franchise fees, or gross receipts taxes.

** Gas provided by Peninsula Energy Services Company.

PSC COMMISSIONERS



Chairman Baez

Braulio L. Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January 2002. He was then reappointed by the Governor to a four year term ending January 2006. Prior to his appointment, Chairman Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Chairman Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Chairman Baez is a member of the National Association of Regulatory Utility Commissioners' Committees on Electricity and International Relations. He is Past-President of the Southeastern Association of Regulatory Utility Commissioners and has served on the North American Electric Reliability Council. A member of the Florida Bar, he is a past Director of the Hispanic Bar Association, 2nd Judicial District.



Commissioner Deason

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.



Commissioner Jaber

Lila A. Jaber was appointed to the Florida Public Service Commission by Governor Jeb Bush in February 2000 to complete a term ending January 2001. She was reappointed by Governor Jeb Bush for a term ending in January 2005. Commissioner Jaber served as Chairman of the Florida Public Service Commission from January 2002 through January 5, 2004. As a Commissioner, she also serves as Vice Chair of the NARUC (National Association of Regulatory Utility Commissioners) Committee on Telecommunications and is a member of the NARUC Committee on Consumer Affairs. In July 2001, she was appointed by the Federal Communications Commission (FCC) to the Federal-State Joint Board on Universal Service which was created to promote the availability and access to quality telecommunications services throughout the Nation. Commissioner Jaber has served as chair of the Federal-State Joint Conference on Advanced Services (706 Joint Conference) created by the FCC to promote the rapid deployment of advanced services to all Americans. She has also served as co-chair of the e-Infrastructure Subcommittee for the Florida Information Service Technology Development Task Force (ITFlorida.com), and is currently an ex-officio member of the Florida Research Consortium, the affiliate of ITFlorida.com, created as a partnership between Florida's universities and technology sectors to focus on high-tech research and development. Prior to serving on the Florida Public Service Commission, Commissioner Jaber was a bureau chief in the Commission's Division of Legal Services for water and wastewater, where she implemented law and policy in the regulation of more than 1,500 water and wastewater facilities, and subsequently, became the Executive Assistant to Commissioner Julia L. Johnson. Commissioner Jaber, a court-certified mediator and a member of the Florida Bar, received a bachelor of arts degree in political science and business from Stetson University in DeLand, Florida, and received a juris doctorate from the Stetson University College of Law in St. Petersburg, Florida.



Commissioner Bradley

Rudolph (Rudy) Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioners' Committees on Consumer Affairs, Water, and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.



Commissioner Davidson

Following the unanimous recommendation of the PSC Nominating Council, Governor Jeb Bush appointed **Charles Davidson** to the Florida Public Service Commission for a four-year term ending January 2007. Commissioner Davidson relocated from New York to Florida in 2000 to serve in the Office of Governor Bush, as the Executive Director of Florida's Information Technology Taskforce. In that role, he was responsible for developing public policies to help ensure that Florida maintains progressive economic development processes and rational regulatory regimes. In 2001, Davidson was recruited by the Florida House of Representatives to launch the state's first Committee on Information Technology. He currently serves *ex officio* as a member of the board of directors of ITFlorida, a statewide not-for-profit organization that is focused on developing sound technology-related public policies. From 1993 to 1999, Commissioner Davidson was an attorney resident in the New York Office of Baker & McKenzie, the world's largest law firm. In 1999, he joined the New York Office of Duane Morris with other attorneys from Baker & McKenzie to form a new international dispute resolution practice group. While in private practice, Davidson was responsible for an array of regulatory, commercial, international, and technology matters in the United States and abroad. His work included multi-jurisdiction antitrust disputes, compliance proceedings before the Department of Justice and the Securities & Exchange Commission, complex commercial dispute resolution, and international technology disputes. His work also included international commercial claims against the Government of Iran before the Iran-United States Claims Tribunal and claims against the Government of Iraq before the United Nations Compensation Commission. Commissioner Davidson has handled an array of domestic and international arbitrations and mediations. While in New York, Davidson served as Special Professor of Law at Hofstra University School of Law. Commissioner Davidson speaks frequently on technology and public policy issues. Recently, Commissioner Davidson testified before Congress on the regulatory treatment that should be afforded broadband technologies. Commissioner Davidson also recently testified before the FCC on the regulatory issues impacting and impacted by Voice over Internet Protocol (VoIP). A Phi Beta Kappa graduate, Commissioner Davidson holds a Masters of Law in Trade Regulation from New York University. He also holds a Masters in International Business from Columbia University. Davidson received his baccalaureate and juris doctorate degrees from the University of Florida, where he served as a fellowship instructor at the College of Law.

Consumer Statements at PSC Meetings

The Commissioners are interested in what consumers have to say about the application for a rate increase by Sebring Gas System, Inc. The main purpose of this meeting is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commissioners know how you feel about the case under review. The meeting will begin as scheduled and continue until all the consumers have been heard.

At the beginning of the meeting, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets, and consumers will be called in the order of those sheets. PSC staff will be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff, orally or in writing, may do so at the meeting. Written comments also may be sent to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or fax at 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 040270-GU).

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Director, Division of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or on-line at www.floridapsc.com.

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

STAMP

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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