

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of a special ) DOCKET NO. 900726-GU  
 contract rate for firm transportation )  
 service between ARIZONA CHEMICAL COMPANY ) ORDER NO. 23636  
 and WEST FLORIDA NATURAL GAS COMPANY. )  
 \_\_\_\_\_ ) ISSUED: 10-18-90

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH

ORDER APPROVING PETITION OF WEST FLORIDA NATURAL GAS COMPANY  
 FOR A SPECIAL CONTRACT RATE FOR ARIZONA CHEMICAL COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

The Federal Energy Regulatory Commission's (FERC) approval of Florida Gas Transmission's (FGT) filing for open access transportation and construction of Phase II pipeline expansion, provides Natural Gas Local Distribution Company's (LDCs), as well as direct sales customers of FGT, the ability to convert a portion of their firm sales service purchased from FGT to firm transportation service of natural gas purchased directly by the customer from a producer or broker.

As a result of customers converting to firm transportation service, some distribution utilities have incurred additional expense in providing computer equipment, additional metering, and associated O&M expense in order to obtain and maintain necessary information as it relates to transportation of natural gas.

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West Florida Natural Gas Company (West Florida or the Company) has requested approval of a special contract rate for Arizona Chemical Company that incorporates those incremental expenses.

In anticipation of the availability of transportation service from FGT, West Florida and Arizona Chemical negotiated an agreement, which converts most of the existing service to Arizona Chemical on the Company's system to firm transportation service.

The agreement results from the availability of firm transportation service on the FGT system which began on August 1, 1990. The existing special contract approved by the Commission in Docket No. 871255-GU, Order No. 21054, the Company's last rate case, prescribes a customer charge of \$20,167 month and a one cent per therm non-fuel energy charge for all therms over 9.2 million therms per year.

The new contract continues the existing rate design, except that the customer charge increases from \$20,167 to \$23,800, to permit the Company to recover the incremental costs of providing transportation service to Arizona Chemical. An analysis of the incremental costs is shown on Attachment A hereto.

The special contract between the Company and Arizona Chemical, with the increased customer charge, was agreed to on July 25, 1990. Because transportation service commenced August 1, 1990, there was insufficient time to request approval from the Commission prior to transportation becoming effective.

The Company has asked that the Commission approve the increase in the customer charge and that the increased customer charge be effective August 1, 1990. The Company and Arizona Chemical agree to the charge and the effective date.

With the additional costs being assigned directly to Arizona Chemical, there is no effect on the rest of the ratepayers. We therefore find that the agreement is reasonable.

It is, therefore,

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ORDERED by the Florida Public Service Commission that the petition of West Florida Natural Gas Company for approval of special contract rate for firm transportation service to Arizona Chemical Company is hereby approved, effective August 1, 1990. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this  
18th day of OCTOBER, 1990.

\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

RVE

by: Kay Dizon  
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 8, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Attachment A

West Florida Natural Gas Company  
 Calculation of Incremental Costs for Firm Transportation Contract  
 With Arizona Chemical Company

**Incremental Capital Investment:**

Labor, material for two meters on customer premises electronic corrector on each meter & microprocessor \$10,438

Computer equipment at WFNG, including software, spare parts, training package \$20,829

Total incremental capital investment \$31,267

**Annual cost of incremental capital investment**

Weighted cost of capital = 15.4526%

15.4526% X \$31,267 = \$ 4,832

**Annual incremental operating costs:**

Monitoring consumption, communicating with FGT & customer regarding scheduling & nominations; overhead \$32,500

Equipment maintenance \$ 800

Telephone lines for metering, electricity \$ 1,000

Total annual incremental operating costs **\$34,300**

Annual Depreciation of equipment (@ seven year life) \$ 4,500

**Total annual incremental cost \$43,632**

Monthly incremental cost =  $\$43,632/12$  = **\$3,636**

Existing customer charge per sales contract of 2/1/89 is \$20,167.

$\$20,167 + \$3,636 =$  **\$23,803**

Customer charge for firm transportation contract rounded to **\$23,800.**

**Notes:**

1. Costs shown are estimates developed during negotiations with customer. Company and Customer have agreed to review the customer charge as experience is developed to assure fairness to both parties.

2. Cost of capital was derived as follows:

Weighted cost of debt:	5.9500%
Weighted cost of equity:	4.6600%
61% of weighted cost of equity (tax effect):	2.8426%
Gross receipts tax (see note 1 above):	1.5000%
Regulatory assessment fee:	<u>.5000%</u>

15.4526%