

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

October 31, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (DILLMORE, BULECZA-BANKS,
GING, MAKIN) *WMM*
DIVISION OF LEGAL SERVICES (WAGNER) *RVE For LW Jdy*

RE: DOCKET NO. 961203-GU - PETITION OF INDIANTOWN GAS COMPANY
FOR APPROVAL OF RATE SCHEDULE FIS, FIRM INDUSTRIAL
SERVICE.

AGENDA: 11/12/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 12/02/96

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\961203GU.RCM

CASE BACKGROUND

On October 4, 1996, Indiantown Gas Company (Indiantown or Company) filed a petition for approval of a new tariff Rate Schedule FIS, Firm Industrial Service. The Company is located in Martin County and employs eight people. Indiantown's distribution system consists of approximately 12 miles of pipe and serves nearly 570 customers.

Primarily, Indiantown serves small commercial and residential customers. Indiantown serves one major industrial customer, Caulkins Indiantown Citrus Company (Caulkins). For the past twenty years Caulkins has been served under Rate Schedule LIS (Large Interruptible Service).

Beginning in 1995, Caulkins became the thermal host for a 330 MW gas-fired qualifying cogeneration facility (Indiantown Cogen), owned and operated by U.S. Generating Company. Indiantown Cogen became the Company's largest customer upon achieving full commercial operation in January 1995 (6,970,612 therms per year). As a result, Caulkins' gas usage declined significantly, (6,629,786

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therms per year to 1,733,906 therms per year) because steam received from Indiantown Cogen displaced a significant part of Caulkins' need for gas as a boiler fuel. Caulkins and Indiantown Cogen have been served, via separate meters, under Rate Schedule LIS, Large Interruptible Service. In light of its new position, Caulkins has expressed interest in receiving firm service for its reduced gas requirements. At this time, Indiantown's tariff does not contain a firm industrial service rate schedule.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Indiantown's petition for approval of Rate Schedule FIS, Firm Industrial Service?

RECOMMENDATION: Yes. The Commission should approve Indiantown's petition for approval of Rate Schedule FIS, Firm Industrial Service.

Staff Analysis: Indiantown is petitioning for a new rate class for firm industrial service. Service under Rate Schedule FIS would be available to any non-residential customer whose usage is greater than 500,000 therms per year, but less than 4,000,000 therms per year. Rates would include a non-fuel energy charge of 4.52 cents per therm and a customer charge of \$1,200 per month. The Company submitted a cost allocation study along with their petition. The proposed rates fairly reflect the related costs of serving a large industrial customer such as Caulkins.

Accordingly, Staff recommends the Commission approve Indiantown's proposed Rate Schedule FIS for the following reasons:

- FIS will allow Indiantown to better serve the needs of its customers.
- FIS will allow eligible industrial customers to obtain firm service.
- FIS is similar to firm rate schedules in use by many of Florida's LDC's.
- FIS will not negatively impact other ratepayers.

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ISSUE 2: What is the appropriate effective date of Rate Schedule FIS, Firm Industrial Service?

RECOMMENDATION: The effective date for Rate Schedule FIS should be effective the date of the Commission vote.

STAFF ANALYSIS: Staff believes the effective date for Rate Schedule FIS should be effective the date of the Commission vote.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no substantially affected person files a protest within 21 days of the issuance of this order, the docket should be closed. If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest.

STAFF ANALYSIS: If no substantially affected person files a protest within 21 days of the issuance of this order, the docket should be closed. If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest.