

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 15, 2004

In Reply Refer To:
Florida Gas Transmission Company
Docket No. RP04-337-000

Florida Gas Transmission Company
1331 Lamar Street, Suite 650
P.O. Box 4657 (77210-4657)
Houston, TX 77010

Attention: Blair Lichtenwalter
Manager, Rates & Tariffs

Reference: Flex Fuel Reimbursement Charge Percentage Filing of June 18, 2004

Dear Mr. Lichtenwalter:

1. On June 18, 2004, Florida Gas Transmission Company (FGT) filed revised tariff sheets to reflect a proposed increase in its Fuel Reimbursement Charge Percentage (FRCP) to become effective on July 1, 2004. In its filing, FGT proposes a flex adjustment of 0.50 percent, resulting in a proposed effective FRCP of 3.50 percent. The Commission accepts and suspends the tariff sheets listed in the Appendix to become effective on July 1, 2004, subject to refund and further conditions discussed herein. This order benefits the public interest by ensuring a complete review of whether the proposed FRCP is just and reasonable and not unduly discriminatory.

Notice, Interventions, and Protests

2. Notice of the referenced filing was issued on June 24, 2004, with comments, protests, or interventions due on or before June 30, 2004, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2003)). Timely interventions were filed by Southern Company Services, Inc., Florida Power Corporation, Florida Municipal Natural Gas Association, and Duke Energy Trading and Marketing, L.L.C. and Duke Energy Marketing America, L.L.C. In addition, Florida Power & Light Company (FPL) filed a timely protest. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2003)), all timely motions to intervene are granted and any motions to intervene out-of-time are granted as of the date of this order.

Details of Filing

3. Pursuant to section 27 of its General Terms and Conditions, FGT's FRCP is designed to recover fuel costs and is the sum of the "Base FRCP" and any flex adjustments. FGT files a new Base FRCP semi-annually to be effective for the Summer Period on April 1, and for the Winter Period on October 1, of each year. Pursuant to section 27.A.2.b., the Base FRCP can be adjusted by a positive or negative flex adjustment of up to 0.5 percent.¹

4. The currently effective Base FRCP is 3.14 percent, and became effective on April 1, 2004.² Subsequently, a flex adjustment of negative 0.39 percent was approved by delegated letter order issued on April 12, 2004, in Docket No. RP04-222-000. Additionally, a second flex adjustment of positive 0.25 percent was approved by delegated letter order issued on June 9, 2004, in Docket No. RP04-300-000. These two filings resulted in the currently effective cumulative flex adjustment totaling a negative 0.14 percent for the Summer Period ($-.0.39 + 0.25 = -.0.14$). FGT's current FRCP is thus the sum of its cumulative flex adjustment, which is negative 0.14 percent, plus its Base FRCP of 3.14 percent, equaling 3.00 percent. FGT states that it is experiencing higher fuel usage than will be recovered by its effective FRCP of 3.00 percent. As a result, FGT proposes a third flex adjustment for the Summer Period of positive 0.50 percent. FGT states that the proposed flex adjustment of 0.50 percent for the current Summer Period, combined with the effective FRCP of 3.00 percent, results in a proposed FRCP of 3.50 percent. In addition, FGT states that increasing the FRCP will reduce FGT's underrecovery of fuel and reduce the Unit Fuel Surcharge in the next Summer Period. FGT also asserts that the filing complies with its tariff provisions and FGT has posted notice of the flex adjustment prior to the instant filing.

¹ Section 27.A.2.b. of the General Terms and Conditions of FGT's tariff on Original Sheet No. 205A to FERC Gas Tariff, Third Revised Volume No. 1, states:

Transporter may at any time file to make a flex adjustment to the Base FRCP. Such adjustment shall not adjust the FRCP more than a total of five-tenths percent (0.5%) from the Base FRCP and shall only be effective at the beginning of the month. Notification of a flex adjustment shall be posted on Transporter's EBB at least five (5) working days prior to the nomination deadline under Section 10. Tariff sheets reflecting such adjustment shall become effective on the date proposed, provided that Transporter files such tariff sheets no more than sixty (60) days and at least seven (7) days before the proposed effective date and shall become effective without prior FERC approval.

² Approved by delegated letter order issued on March 26, 2004 in Docket No. RP04-185-000.

Discussion

5. FPL protests FGT's proposed increase in the FRCP. FPL states that it understands that the proposed increase in FRCP falls within the 0.50 percent threshold set forth in section 27.A.2.b. of the General Terms and Conditions of FGT's tariff. Nevertheless, FPL states that the Commission should scrutinize the latest filing because it comes on the heels of a filing on May 19, 2004 in Docket No. RP04-300-000, which increased the FRCP by 0.25 percent, for a cumulative increase of 0.75 percent in the last two months. Further, FPL claims FGT did not support the proposed level of the increase, and has provided no data supporting its statement that it is currently experiencing higher fuel usage. Without some supporting data, FPL states the proposed additional FRCP increase should be rejected. Absent rejection of the filing, FPL requests that the Commission suspend the filing for the maximum five month suspension period, subject to refund and further investigatory proceedings, in which the Commission should require FGT to provide data to substantiate FGT's fuel usage over the last year and the proposed increase.

6. The level of FGT's proposed flex adjustment does not violate the Fuel Reimbursement Charges provision of its tariff since the increase does not exceed the 0.50 percent threshold described in section 27.A.2.b. of the General Terms and Conditions. FPL has acknowledged this fact, and FPL does not allege that FGT has not complied with its tariff. Instead, FPL points out that in the last two months, the last Commission-approved flex adjustment of 0.25 percent (*i.e.*, the second summer period flex adjustment) plus the proposed flex adjustment of 0.50 percent total a 0.75 percent increase. Even though for the current Summer Period the cumulative total of the three flex adjustments (which includes the proposed flex adjustment) is only 0.36 percent, it appears from the more recent filings that FGT's fuel usage is increasing. FGT has failed to include support for such increases in the instant filing. As such, the Commission finds that FGT has not provided an adequate explanation in this filing for the nature, reasons and basis for the higher fuel usage on its system since the Commission's last approved flex adjustment, and that FGT has not provided the underlying support for its calculation of the flex adjustment percentage increase. The Commission directs FGT to provide this information and support within 15 days of the date of this order.

7. Based upon a review of the filing, the Commission finds that the tariff sheets in the referenced docket have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, suspend their effectiveness for the period set forth below, and permit them to become effective subject to refund and conditions and further review.

8. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.³ It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.⁴ Such circumstances exist here, where the Commission is reviewing an FRCP that was filed pursuant to the procedures outlined in FGT's tariff. Therefore, the Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on July 1, 2004 as proposed, subject to refund and the condition discussed above.

By direction of the Commission.

Magalie R. Salas,
Secretary.

³ See Great Lakes Gas Transmission Co., 12 FERC ¶ 61,293 (1980).

⁴ See Valley Gas Transmission, Inc., 12 FERC ¶ 61,197 (1980).

APPENDIX

**Florida Gas Transmission Company
Docket No. RP04-337-000**

Revised Tariff Sheets
to FERC Gas Tariff, Third Revised Volume No. 1
Accepted to be effective July 1, 2004

Sixty-Fourth Revised Sheet No. 8A
Fifty-Sixth Revised Sheet No. 8A.01
Fifty-Sixth Revised Sheet No. 8A.02
Sixteenth Revised Sheet No. 8A.04
Fifty-Ninth Revised Sheet No. 8B
Fifty-Second Revised Sheet No. 8B.01
Ninth Revised Sheet No. 8B.02