

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 19, 2006

In Reply Refer To:
Florida Gas Transmission Company
Docket No. RP06-314-000

Florida Gas Transmission Company
5444 Westheimer Road
Houston, TX 77056-5306

Attention: Michael T. Langston
Sr. Vice President,
Government & Regulatory Affairs

Reference: Flex Adjustment to Base Fuel Reimbursement Charge Percentage

Dear Mr. Langston:

1. On April 21, 2006, Florida Gas Transmission Company (FGT) filed revised tariff sheets to reflect a proposed flex adjustment increase in its Fuel Reimbursement Charge Percentage (FRCP), which adjustment became effective on May 1, 2006. In its filing, FGT proposed a flex adjustment of 0.22 percent, resulting in a FRCP of 3.50 percent effective May 1, 2006. The filing has been protested. As discussed below, the Commission directs FGT to file additional supporting information and data regarding its filing within 20 days of this order.

Details of Filing

2. Pursuant to section 27 of its General Terms and Conditions (GT&C), 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 without prior Commission approval, provided that FGT meets certain posting and filing time requirements.

3. FGT states that it is experiencing higher throughput which results in higher fuel consumption which is not being recovered by its effective FRCP of 3.28 percent. As a result, FGT proposes a flex adjustment for the Summer Period of positive 0.22 percent.

FGT states that the proposed flex adjustment of 0.22 percent for the current Summer Period, combined with the effective FRCP of 3.28 percent, results in a proposed FRCP of 3.50 percent. In addition, FGT states that increasing the FRCP is necessary to provide sufficient fuel for the compression needed to meet customer service requirements during the peak summer months. According to FGT, the increase to the FRCP will minimize the balance of the deferred fuel account to be recovered through the Unit Fuel Surcharge (UFS) during the next Summer Period. FGT also states that the filing complies with its tariff provisions and FGT has posted notice of the flex adjustment prior to the instant filing.

Notice, Protest and Answer

4. Public notice of FGT's filing was issued April 27, 2006, with interventions and protests due as provided in section 154.210 of the Commission's regulations (18 C.F.R. ¶ 154.210 (2005)). Pursuant to Rule 214 (18 C.F.R. ¶ 385.214 (2005)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Florida Power & Light Company (FPL) filed a protest. On May 5, 2006, FGT filed an answer to FPL's protest. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.213(a)(2) (2005), answers to comments and protests are not accepted unless otherwise ordered by the decisional authority. The Commission will accept FGT's answer because it may aid the Commission in resolving issues in this proceeding. FPL's protest and FGT's answer are discussed below.

5. FPL states that FGT's sole justification for the filing consists of statements in its letter of transmittal that: (1) FGT is experiencing higher throughput resulting in higher fuel consumption not being currently recovered by the effective FRCP; (2) increasing the FRCP is necessary to provide sufficient fuel for the compression needed to meet customer service requirements in the peak summer months; and (3) the increase to the FRCP will minimize the balance of the deferred fuel account to be recovered in the next Summer Period. FPL states that, while FGT has committed to state the nature and basis for a change in the transmittal letter to any flex filing,¹ FGT's assertion that it is experiencing higher throughput which results in higher fuel consumption does not state the nature and basis for the change. According to FPL, this boilerplate language is

¹ *Citing*, Transmittal Letter of Florida Gas Transmission Company, Docket No. RP96-151-000, at p. 3 (February 27, 1996), wherein FGT stated that "In the transmittal letter to any flex filing to change the Base FRCP or the Base Unit Fuel Surcharge, FGT will state the nature and basis for the change."

uncorrelated to the specific increase and would conceivably permit any size increase within the 0.50 percentage range.

6. FPL asserts that the filing does not contain any information to enable affected customers to assess the justness and reasonableness of the proposed increase. FPL states that FGT's February 28, 2006 filing in Docket No. RP06-257-000 illustrates that components of FGT's Base FRCP includes Compressor Fuel, Lost & Unaccounted for Gas and Other Company Use which incorporate average costs over Summer Periods from prior years. FPL states that it is unclear from the instant filing which of the cost categories is impacted, and how it is impacted by higher throughput. FPL states that it is unclear why, in less than one month into the Summer Period, FGT has determined that it must abandon its prior estimates, which are based on costs average over the entire six month Summer Period.

7. FPL states that although FGT is apparently entitled under its tariff to make flex adjustments to the Base FRCP at any time, the current increase proposed so soon after the February 28, 2006 filing warrants some further explanation. FPL states that while FGT's proposed flex adjustment may ultimately be appropriate, FPL requests that the Commission require FGT to provide further support for the instant flex adjustment in the form of workpapers. Lastly, FPL states that given the lack of information and specificity to evaluate the proposed flex adjustment, FPL requests that the Commission suspend FGT's flex adjustment for five months.

8. In its answer FGT states that contrary to FPL's assertion, the explanation that "higher fuel consumption" does provide sufficient justification for the use of the flex adjustment procedure. FGT states that the procedure in section 27.A.2.b. of the GT&C of the tariff was approved by the Commission in order to establish a mechanism to provide sufficient fuel for the compression needed to meet customer service requirements and to minimize the deferred fuel account and the UFS in the future. According to FGT, the procedure was made automatic in order to provide a fuel percentage upon which customers could rely on for purposes of nominations and upon which FGT use for purposes of fuel accounting. FGT states, that in this particular case, in the seven-day period immediately preceding the flex adjustment filing FGT experienced an increase from the average daily throughput of 1.7 Bcf² and the 3.28 percent fuel usage which served as the basis for the February 28 filing. FGT states that during the seven-day period, average daily throughput increased to a level greater than 1.8 Bcf and fuel usage increased to approximately 3.50 percent. According to FGT, given the warmer temperature and favorable gas pricing, it anticipated that throughput and fuel usage levels

² *Citing*, the Net Market Area deliveries of 312,581,991 MMBtu on page 2, line 1, column (h) of Attachment A of the February 28, 2006 filing in Docket No. RP06-257-000, divided by 183 days.

would continue at or above the levels being experienced and determined that the flex adjustment of 0.22 percent resulting in an effective FRCP of 3.50 percent was justified.

Discussion

9. FGT's proposed flex adjustment is consistent with the Fuel Reimbursement Charges provision of its tariff as set forth in section 27.A.2.b. Section 27.A.2.b. 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.³

10. FGT's proposed flex adjustment of 0.22 percent is below the maximum flex adjustment of 0.5 percent permitted under its tariff, and was posted and filed within the time requirements of section 27.A.2.b. Accordingly, pursuant to section 27.A.2.b., FGT's flex adjustment became effective, as proposed, on May 1, 2006. However, in view of the concerns raised by FPL, and the fact that the proposed flex revision will go into effect only four weeks after establishing the Summer Period FRCP, the Commission directs FGT to file additional information and workpapers reflecting the throughput volumes and fuel used in deriving the flex adjustment of 0.22 percent within 20 days of this order.

By direction of the Commission.

Magalie R. Salas,
Secretary.

³ See, Original Sheet No. 205A to FGT's FERC Gas Tariff, Third Revised Volume No. 1.

Florida Gas Transmission Company
Docket No. RP06-314-0000

FERC Gas Tariff, Third Revised Volume No. 1

Tariff Sheets Accepted Effective May 1, 2006

Seventy-Sixth Revised Sheet No. 8A
Sixty-Seventh Revised Sheet No. 8A.01
Sixty-Seventh Revised Sheet No. 8A.02
Twenty-Seventh Revised Sheet No. 8A.04
Seventieth Revised Sheet No. 8B
Sixty-Third Revised Sheet No. 8B.01
Nineteenth Revised Sheet No. 8B.02