

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of variance from area extension program (AEP) tariff to delay true-up and extend amortization period, by Florida City Gas.

DOCKET NO. 150232-GU
ORDER NO. PSC-16-0066-PAA-GU
ISSUED: February 5, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING VARIANCE FROM AREA EXTENSION PROGRAM

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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On October 27, 2015, Florida City Gas (FCG or Company) filed a petition for approval of a variance from its Area Extension Program (AEP) tariff to delay the true-up and extend the amortization period by two years.

The AEP tariff is designed to provide FCG with an optional method to recover its capital investment to provide natural gas service to customers in a discrete geographic area who do not have gas service available.¹ The AEP tariff provides for the determination of a charge applicable to all gas customers located in the geographic area over a 10-year amortization period. The AEP charge is applied on a per therm basis in addition to all other tariffed charges. The AEP charge is calculated by a formula based on the amount of investment required and the projected gas sales and resulting revenues collected from customers in the AEP area. The AEP tariff specifies the formula to calculate the charge; the AEP charge itself does not require our approval.

¹ Order No. PSC-95-0506-FOF-GU, issued April 24, 1995, Docket No. 950206-GU, In re: Petition for approval of tariffs governing extension of facilities by City Gas Company of Florida.

The AEP tariff requires FCG to recalculate and true-up the AEP charge on the third anniversary of the date when the facilities to provide gas service were placed into service, or on the date when 80 percent of the originally forecast annual load is connected, whichever comes first. The Company can true-up the AEP charge only once, and the new charge will be applied prospectively over the remainder of the amortization period. The AEP tariff includes a provision that the length of the amortization period may be modified upon our approval.

FCG stated that it has utilized the AEP tariff eight times since its 1995 implementation and the AEP mechanism has proven very helpful in facilitating projects to extend natural gas service to customers who would otherwise not been served. In 2012, FCG extended its facilities pursuant to the AEP tariff to serve a large commercial customer, who is a citrus producer, located in Hendry County. The project is referred to as the Glades Project. The Glades Project has not developed as projected and FCG therefore is requesting in this petition to deviate from the AEP tariff requirements for the Glades Project. FCG is not requesting to change any provisions of the AEP tariff itself. On December 8, 2015, FCG responded to Staff's First Set of Data Requests. We have jurisdiction over this matter pursuant to Section 366.06, Florida Statutes.

Decision

In 2012, pursuant to the AEP tariff, FCG extended its East-West pipeline to provide gas service to a large commercial customer located in Hendry County. Based on the initial projected cost of the facilities and projected annual therm usage, FCG calculated an initial AEP charge of \$0.241 per therm, which the commercial customer in the Glades Project area has been paying since November 2012.

As required by the AEP tariff, FCG recalculated the AEP charge for the Glades Project based on updated project costs and therm usage by the end of the third year, which was on October 31, 2015. Due to unexpected project cost increases and lower gas consumption, the recalculated AEP charge would increase from \$0.241 per therm to \$0.515 per therm, which would be applied beginning November 1, 2015 through the remainder of the 10-year amortization period (2015 through 2022). While FCG calculated the true-up, FCG did not implement the revised AEP charge pending our decision in this docket. FCG explained that three factors resulted in the significant increase of the AEP charge, which are listed below:

- The commercial customer did not use the amount of natural gas initially projected due to an outbreak of citrus canker which lowered production and therefore gas usage.
- The cost of the line extension exceeded the initial cost estimated due to unanticipated environmental issues. The 2012 projected facilities cost of \$13,500,000 increased to \$17,766,616 in 2015.
- New customers did not come on line as anticipated when the line was extended.

FCG stated that while applying the recalculated higher AEP charge starting in November 2015 would be consistent with the AEP tariff, FCG is sensitive to the issues faced by the large

commercial customer, who is a citrus producer, in the Glades Project area and the impact the higher AEP charge would have on the customer. FCG stated that while the citrus canker disease has abated, new trees will not begin producing fruit for another two years. Once the trees begin producing, FCG anticipates that the customer's gas usage will also begin to increase. FCG explained that deferring the AEP true-up and implementation of a revised AEP charge until October 31, 2017, will provide additional time for gas usage to increase and provide more time for potential new customers to come on line, therefore resulting in the recalculated AEP charge to reflect a much less significant increase. To further mitigate any rate impacts on the commercial customer, FCG proposed to extend its 10-year amortization period for an additional two years in order to spread the amount to be collected over a slightly longer period of time.

FCG's proposal only impacts the customer in the Glades Project and does not impact the general body of ratepayers. FCG's proposal will benefit the large commercial customer in the Glades Project area who is facing unique economic challenges. FCG stated that it has communicated with the commercial customer and the customer does not oppose FCG's proposal. In response to staff's data request, FCG explained that the seven other AEP projects are performing as projected or better. Based on the above information, FCG's request to delay the true-up of the AEP charge applicable to the Glades Project by two years until October 31, 2017, and extend the 10-year amortization period by two years shall be approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Florida City Gas Petition to delay the true-up of the AEP charge applicable to the Glades Project by two years until October 31, 2017, and extend the 10-year amortization period by two years, is approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 5th day of February, 2016.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

MFB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 26, 2016.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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