

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application requesting	)	DOCKET NO. 900536-GU
waiver of conditions imposed by	)	ORDER NO. 23399
Rule 25-7.054, F.A.C, Extension of)	)	ISSUED: 8-23-90
Facilities by Florida Public	)	
Utilities Company.	)	
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The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING RECOVERY OF COSTS AND  
 METHOD FOR RECOVERING COSTS

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.

On June 8, 1990 Florida Public Utilities Company (FPUC) filed its application requesting a waiver of the conditions imposed by Rule 25-7.054, Florida Administrative Code. In its application FPUC asserts that it has entered into an agreement with Communities Construction Corporation of Palm Beach (Communities Construction) to serve a 2,400 residential living-unit development known as Ibis Golf and Country Club, which is currently planned with a full build-out to be completed in approximately ten years.

The agreement requires Community Construction to use gas in at least 85% of the residential units to be constructed or, in lieu thereof, pay FPUC the sum of \$750.00 for each unit in excess of 15% which does not use gas. Furthermore, units supplied with gas must be equipped with at least two major gas appliances, one of which

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must be a water heater. In the event a unit supplied with gas does not have two major gas appliances, the unit will not be considered as having gas service.

Communities Construction has agreed to provide the required right-of-way clearing and restoration for the installation of the gas main at no cost to FPUC if the main is built immediately following the installation of the water and sewer lines and prior to the installation of the required road and road right-of-way work. Communities Construction has also agreed to deposit \$200,000 of the \$444,140 feeder main cost to aid in the construction of the feeder main. In addition, should the development halt before the planned build-out or if market conditions dictate a change to a type of construction incompatible with natural gas usage, Communities Construction has agreed to reimburse FPUC for the unused capacity of the feeder main.

In a new residential development such as that proposed by FPUC, major gas distribution extensions must be installed in two phases due to practical and economic reasons. Phase one is the installation of the feeder main from an existing distribution system main to a point of entry into the property to be developed. Phase two consists of the distribution mains and individual service lines within the development.

Rule 25-7.054(3)(a) requires that each utility develop a standard policy governing the amount of main and/or service extensions which can be provided free to connect a new customer. Under the rule, if the utility and consumer are unable to agree in regard to an extension, either party may appeal to the Commission for a review.

During the second phase of a project, in-project distribution and individual services are constructed as-needed and can be justified by adequate and immediate gas usage and revenue generation. However, in the first phase, the feeder main must be sized so that it may adequately supply the entire project and construction must be completed in time to provide gas service to the first residential unit. The sizing and timing requirements result in construction of gas mains which do not qualify as free extensions if the development has a proposed seven to ten year build-out or completion time frame. The possibility of a refund based on the connection of other customers to the feeder main within 5 years, pursuant to Rule 25-7.054, has very little

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influence on a developer's decision to make the required deposit as it is an area over which it has no control.

In conducting its review, the Commission is guided by general principles that are set forth in Rule 25-7.054(3). However, the Rule is not inflexible, but rather, is intended to provide guidance to the Commission. Thus, waiver of the Rule is not necessary.

When we apply the guidance of Rule 25-7.054 to the specifics of FPUC's applications, we find that expansion of the Company's distribution system will eventually bring additional load which otherwise would be lost if the company had to wait for additional load to provide justification for the main feeders. We therefore approve FPUC's recovery of costs associated with building the feeder main but find it unnecessary to waive Rule 25-7.054 as requested by FPUC.

FPUC also made two additional requests. It requested that the Commission permit them to designate the feeder main extension as construction work in progress (CWIP) and accrue allowance for funds used during construction (AFUDC) until it becomes justifiable to place that portion of the feeder main into the rate base. Once that portion of the main is placed into the rate base, it will no longer accrue AFUDC. FPUC also requested that it be allowed to annually refund to Communities Construction a portion of the \$200,000 Communities Construction deposited to aid in the construction of the feeder main.

Rule 25-7.0141(1)(a) designates under which conditions construction work in progress that is not included in rate base may accrue AFUDC. The Rule provides that only projects that involve gross additions to the plant in excess of \$25,000 and are expected to be completed in excess of one year after commencement of construction, or that were originally expected to be completed in one year or less and are subsequently suspended for six months or more or are not ready for service within a year after completion can be included in rate base to accrue AFUDC.

If FPUC is allowed to place the feeder main extension in CWIP to accrue AFUDC as they suggest, they would clearly be violating Rule 25-7.0141(1)(a) because the main clearly does not meet the conditions set out in Rule 25-7.0141(1)(a). Thus, we deny FPUC's request to place the feeder main extension in CWIP to accrue AFUDC.

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However, we do find it appropriate to place that portion of the feeder main cost not contributed by Communities Construction in the rate base and as FPUC refunds Communities Construction's deposit over time, that amount be placed in the rate base.

As previously discussed, FPUC, and the gas industry in general are faced with problems involving the expansion of gas mains when expansion is not feasible. If the gas companies delay expansions of the system that are not feasible until such time as sufficient load develops to justify construction, the expansion would not be built and customers would consequently opt for some other source of energy.

If gas companies are to be given an opportunity to increase sales, increase customer growth and the availability of natural gas at an affordable rate, then it is appropriate to consider viable alternatives to achieve this end. We believe that this project will benefit FPUC's distribution system and give FPUC an affordable means to expand its service area.

Accordingly, we approve FPUC's feeder main extension project to Ibis Golf and Country Club and find that the appropriate accounting treatment for this expansion would be to place the feeder main cost in rate base with an offsetting deduction of the amount contributed by Communities Construction. As FPUC refunds Communities Construction's deposit over time, the deduction to rate base will be reduced, thereby increasing the rate base by the refund amount. By recording the cost of the plant in service not contributed by Communities Construction in the rate base, FPUC will protect the current ratepayers from the total cost of the project until such time as the complete system is put into service. Furthermore, by computing the refund to the developer annually, FPUC will increase the rate base by the incremental portion of the project as additional capacity is placed into service.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that FPUC's application for waiver of conditions imposed by Rule 25-7.054 is hereby denied. It is further

ORDERED that FPUC's proposed method for recovering costs by designating the feeder main extension as construction work in progress and accrue allowance for funds used during construction

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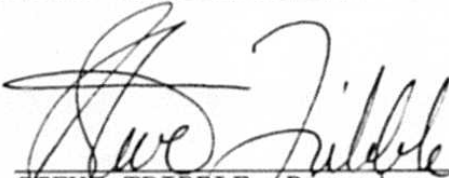
until it becomes justifiable to place that portion of the feeder main into the rate base is hereby denied. It is further

ORDERED that FPUC's proposed recovery of costs for construction of a feeder main for Ibis Golf and Country Club is hereby approved. It is further

ORDERED that the method for recovering costs that is to be adopted by FPUC would be to place that portion of the feeder main cost not contributed by the developer in the rate base and as FPUC refunds the developer's deposit over time that amount be placed in the rate base. It is further

ORDERED that if no protest is filed within the time period specified below, this docket shall be closed by the consumating order to be issued in this docket.

By ORDER of the Florida Public Service Commission, this  
23rd day of AUGUST, 1990.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

EAT:bmi

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

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hearing or judicial review will be granted or result in the relief sought.

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 September 13, 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.