

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of St. Joe ) DOCKET NO. 940548-GU  
Natural Gas Company, Inc. for ) ORDER NO. PSC-94-0833-FOF-GU  
inclusion of investment in ) ISSUED: July 11, 1994  
Wewahitchka expansion project in )  
its rate base. )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION

ORDER GRANTING PRELIMINARY APPROVAL

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.

St. Joe Natural Gas Company (SJNG or company) is a local gas distributor that serves approximately 3,090 residential, commercial, and industrial customers in the City of Port St. Joe, Mexico Beach, and unincorporated areas of Gulf County. SJNG has one very large industrial customer, St. Joe Paper Company. This company takes approximately 66 percent of SJNG's volume equating to a 75 percent contribution to revenues.

On May 13, 1994, SJNG filed a petition to expand its existing gas distribution system northward to provide natural gas service to residents of the City of Wewahitchka and to the immediate surrounding areas. The proposed expansion was initiated through the request of the Wewahitchka City Commissioners and the Gulf County Board of County Commissioners.

The expansion project will consist of 13 miles of high pressure mains, 10 miles of low pressure mains, 1,000 service lines, and associated facilities. The Company estimates that the

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cost of this project will be \$862,233 which will be financed through SJNG's existing cash flow. The project is comprised of a series of five distinct and separate construction phases, each of which will be placed in service on an ongoing basis as completed. The first phase of the project will be the installation of 13 miles of high pressure line at an approximate cost of \$348,503, this will link SJNG's existing facilities to the Wewahitchka area. The pipeline will run through a predominantly rural, sparsely populated area. Upon completion of the first phase, approximately 100 customers will be added. For each of the next four years, 20 percent of the project will be completed and 225 customers will be added.

SJNG requests that the proposed Wewahitchka expansion project receive prior determination by this Commission that the investment is prudent. Further, SJNG seeks approval from the Commission that at the conclusion of each phase the associated construction costs be added to its rate base. Based on its March 31, 1994, unaudited surveillance report, SJNG's rate base is \$4,016,966. When compared to SJNG's current rate base, the expansion project represents a 21 percent increase.

SJNG's existing natural gas distribution system is the closest gas utility to Wewahitchka. Due to its proximity, the proposed project would be the most cost effective means to serve the residents of Wewahitchka and surrounding areas. The environmental impact will be minimized as the proposed route will occur within existing previously disturbed right-of-ways.

The cost estimates as detailed in the filing appear reasonable. To minimize labor costs and maintain control over the project, SJNG will use existing utility personnel to construct the facilities rather than subcontractors. As previously stated, the total cost of the project is projected to be \$862,233. While these costs represent approximately 21 percent of SJNG's existing rate base, the potential dollar impact on rates would be minimal. SJNG has not filed for rate relief since 1967. However, if the Company were to file for a rate increase (with no change in its large industrial customer's rate), the projected impact on SJNG's existing core customers is as follows:

<u>CUSTOMER CLASS</u>	<u>EXISTING RATE (cents/therm)</u>	<u>PROJECTED RATE (cents/therm)</u>
Residential (Energy Charge)	1.97	2.30
Commercial (Energy Charge)	2.36	2.69

While the potential increase in rates on a percentage basis is moderate (17% Residential, and 14% Commercial), the projected rates still remain significantly lower than rates charged by other Florida local distribution companies (LDCs). Based on SJNG's average residential consumption of 35 therms per month, not including the PGA cost of gas, the average customer currently pays 69 cents for gas each month. If the rates were increased as shown in the above chart, the average residential customer would have to pay 81 cents. Comparable rates being charged by other Florida LDCs are shown below:

<u>CUSTOMER CLASS</u>	<u>EXISTING RANGE (cents/therm)</u>	<u>AVERAGE RATE (cents/therm)</u>
Residential (Energy Charge)	6.632 to 56.654	34.950
Commercial (Energy Charge)	6.166 to 26.500	19.336

While the need to increase the customer charge for either the existing or proposed customers is not anticipated, it is interesting to note that SJNG's customer charges are significantly lower than those of other Florida LDCs. The following chart provides a comparison of the customer charges currently in place for SJNG and the other Florida LDCs:

<u>CUSTOMER CLASS</u>	<u>EXISTING RANGE (per month)</u>	<u>AVERAGE RATE (per month)</u>
Other LDCs - Residential	\$5.00 - \$7.00	\$6.69
SJNG - Residential	\$3.00	
Other LDCS - Commercial	\$10.00 - \$17.00	\$12.88
SJNG - Commercial	\$5.00	

Although the project, as detailed in the Company's filing, appears to be prudent at this time, it is not our usual practice to make a determination of prudence before construction of an expansion project. Ordinarily, the risk of prudent investment is assumed by the stockholders. However, because of the significance in the dollar amount of the investment relative to SJNG's current rate base, we find it appropriate to give preliminary approval based on the information provided in the company's filing. This project as proposed will enable SJNG to increase its customer base

and provide needed natural gas service to the citizens of Wewahitchka and surrounding areas. This preliminary approval is without guarantee that the final project will be in rate base. Said approval is contingent upon SJNG filing detailed cost reports after completion of each construction phase of the project to assist the Commission in its continued prudence evaluation.

The reports shall show the detail of all construction costs and indicate the number of customers obtained upon completion of each phase. The data reported shall be in the format shown on Exhibit B of SNJG's petition.

SJNG prepared its projection of costs and new customers based on the best information available. It is in the interest of the customers to expand if cost projections and construction budgets as proposed come to fruition. However, if the cost incurred or the number of customers obtained differ significantly from the projection, existing customers could be substantially impacted should the Company file for rate relief. To protect SJNG's existing customers, the economics of the project shall be reviewed by our staff as each phase is completed. If a major deviation between the projected data and the actual data occurs, the matter shall be brought before us for further consideration and disposition.

This docket shall remain open until SJNG submits its final detailed costing report and our staff has analyzed the data. If no material variance is detected, this docket will be closed administratively.

Based upon the foregoing, it is, therefore

ORDERED by the Florida Public Service Commission that St. Joe Natural Gas Company, Inc. may include the Wewahitchka expansion project in its rate base in accordance with the terms and conditions discussed in the body of this order. It is further

ORDERED that the company shall file reports as discussed in the body of this order. It is further

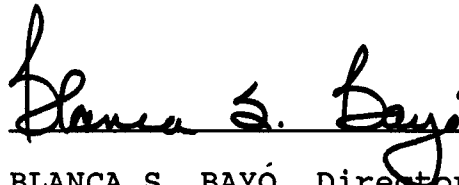
ORDERED that this docket shall remain open until the final report is filed by St. Joe Natural Gas Company, Inc. and reviewed by Commission staff. At that time, if no material variance is detected, this docket shall be closed administratively. It is further

ORDERED that this Order shall be come final unless an appropriate petition for formal proceeding is received by the

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Division of Records and Reporting, 101 East Gaines, Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 11th day of July, 1994.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

SLE: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 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 1, 1994.

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.

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.

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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 wastewater 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.

M E M O R A N D U M

July 6, 1994

RECEIVED  
JUL 7 1994

FPSC-RECORDS/REPORTING

TO : DIVISION OF RECORDS AND REPORTING (BAYO)  
FROM : DIVISION OF LEGAL SERVICES (ERSTLING) *mp*  
RE : DOCKET NO. 940548-GU - Petition of St. Joe Natural Gas Company, Inc. for inclusion of investment in Wewahitchka expansion project in its rate base.

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Attached please find a NOTICE OF PROPOSED AGENCY ACTION - ORDER GRANTING PRELIMINARY APPROVAL in the above referenced docket which is ready to be issued. [Number of pages (6)]

SLE:bmi  
Attachment  
940548pa.sle

Requisition for Photocopying and Mailing

585

Date 7, 11, 94

Number of Originals 6

Copies Per Original 33

Requested By Ruth

Item Presented

Agenda For (Date) Order No. 91-0833 In Docket No. 940518-011

Notice of For (Date) In Docket No.

Other

Special Handling Instructions

Distribution/Mailing

Number	Distributed/Mailed To
31	Commission Offices
2	Docket Mailing List

Number	Distribution/Mailed To

Note: Items must be mailed and/or returned within one working day after issue unless specified here:

Print Shop Verification

Job Number 72 Verified By W.S

Date and Time Completed Job Checked For Correctness and Quality (Initial)

Mail Room Verification

Date Mailed 7-12-94 Verified By [Signature]