

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Approval of) DOCKET NO. 950953-GU
Modifications to Tariff) ORDER NO. PSC-95-1310-FOF-GU
Provisions Governing Main and) ISSUED: October 25, 1995
Service Extensions by West)
Florida Natural Gas Company.)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

West Florida Natural Gas Company (Company) presently extends its facilities to provide service in accordance with the provisions of Rule 25-7.054, Florida Administrative Code. The rule requires extensions to be made at no cost to the customer when the capital investment necessary to extend the Company's facilities to provide service is equal to or less than the maximum allowable construction cost. The maximum allowable construction cost (MACC) is defined as an amount equal to four times the estimated annual gas revenues to be derived from the facilities, minus the cost of gas.

In the event the required capital investment exceeds the MACC, the Company requires the customer(s) to make a non-interest bearing contribution in aid of construction in an amount equal to the difference provided that:

1. At the end of the first year, the Company shall refund to the customer(s) paying the advance in aid of construction an amount equal to the excess, if any, of the MACC. This amount is calculated using actual gas revenues, less the actual cost of gas, over the MACC used to determine the amount of the advance in aid of construction.

2. For each additional customer taking service at any point on the extension within a period of five years from date of construction, provided that an additional main extension is not necessary to serve that customer, the Company will pay a refund to

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the customer that paid the advance in aid of construction. The refund will be the amount by which the MACC for the new customer exceeds the cost of connecting the new customer.

The Company's original petition filed on August 11, 1995, listed three qualifying options for free extension of facilities: (1) a water heater, (2) two or more major appliances, or (3) a heating system with an estimated annual consumption of at least 300 therms. On September 25, 1995, the Company revised its original petition to include the appropriate cost of capital, the minimum natural gas appliances required for the free extension of facilities, and to require that the customer be a "year-round customer" connecting a natural gas water heater and, at least, one additional natural gas appliance. According to the Company's revised petition, the appropriate cost of capital used in estimating the capital investment requirement is defined as: "The cost of capital used in the capital investment analysis shall be the authorized overall mid-point rate of return approved by the Commission in the Company's most recent base rate case or in a separate, relevant Commission Order."

The Company proposes to increase the MACC from four to five times the estimated annual gas revenues. This change is permitted by Rule 25-7.054, Florida Administrative Code.

The Company also proposes an alternative method of recovering capital investment in excess of the MACC. This method would allow new gas customers who do not currently meet feasibility criteria to obtain gas service without increasing costs to existing customers of the Company. The Company will fund the amount above the MACC required to construct the facilities and recover the investment from the customers served by the extension by collecting an Area Expansion Program (AEP) surcharge.

The AEP provides for the determination of a specific surcharge applicable to each designated expansion area by class of customer. It is calculated based on the amount of excess capital investment required, the Company's authorized rate of return approved by the Commission, the projected sales to be made on the extension, the period of time the surcharge will be applicable and the competitive conditions in the prevailing expansion area. Under the Company's proposal, the AEP for any geographic area could be modified once upon the earlier of (1) the third anniversary of the date when the project facilities are placed in service or (2) the date on which 80% of the originally forecast annual load is connected. At that time, the Company will reassess the amount of additional revenue required to recover the unamortized excess cost of the facilities and the calculation of the AEP. The resulting adjustment of the

AEP, either upward or downward, will be applied prospectively over the remainder of the Amortization Period. Any revenues in excess of the projected surcharge total will be refunded to all existing customers in the AEP area if the revenues collected exceed the estimated AEP projection. The refund to any customer will not exceed the amount contributed through the AEP.

For ratemaking and earnings surveillance report purposes, the excess cost above the MACC will not be included in rate base, and the related surcharge recovery will be excluded from the income statement. Specific adjustments will be made on the earnings surveillance report to eliminate these items. In addition, specific subaccounts will be established to clearly identify the amounts related to the excess cost above the MACC and its recovery.

We have reviewed the tax impact of the AEP contribution and find it to be immaterial. The Company will only collect the differential between what is and is not economically feasible. The potential for a refund will still exist. If, however, the amount collected or the quantity of contributions increase, we may need to review the tax impact at that time.

The AEP surcharge option for funding main and service extensions will allow customers to have gas service who could not have received this service otherwise. Such customers might include: existing L.P. gas (propane) customers; customers in new areas not yet constructed; and customers in developed areas remote from existing gas systems. The present customers and the Company will be protected by the surcharge recovery of any amount by which the investment exceeds the MACC.

Upon review, we find that the tariff modifications proposed by the Company are within the public interest and should be approved.

Based on the foregoing, it is therefore

ORDERED that West Florida Natural Gas Company's proposed modifications to its tariff provisions governing main and service extensions is, hereby, approved. It is further

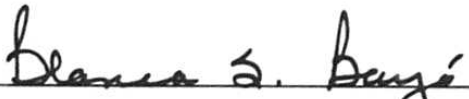
ORDERED that the effective date for these modifications is October 10, 1995. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the modified tariff provisions shall remain in effect, subject to refund, pending resolution of the protest. It is further

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ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 25th day of October, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 15, 1995.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

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 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 date this Order becomes final, 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.