

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 941043-GU
modifications to tariffs) ORDER NO. PSC-95-0161-FOF-GU
governing main and service) ISSUED: February 6, 1995
extensions by PEOPLES GAS)
SYSTEM, INC.)
_____)

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

BY THE COMMISSION:

On October 3, 1994, Peoples Gas System, Inc. (Peoples) filed a petition for approval of tariffs implementing a main and service extension amortization surcharge. Peoples' reason for the tariff revision is to provide gas service to new customers for whom service is not feasible under the existing tariff without increasing the cost to existing customers of Peoples.

Peoples Gas System, Inc (Peoples) 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 (MACC). The MACC is defined as being an amount equal to four times the estimated annual gas revenues to be derived from the facilities less 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 advance 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 calculated using actual gas revenues, less actual cost of gas, over the MACC used to determine the amount of the advance in aid of construction.

DOCUMENT NUMBER-DATE
01327 FEB-6 95
FPSC-RECORDS/REPORTING

2. For each additional customer taking service at any point on the extension within a period of five years from date of construction, the Company shall refund to the customer that paid the advance in aid of construction an amount by which the MACC for the new customer exceeds the cost of connecting the customer, provided that an additional main extension shall not have been necessary to serve the additional customer.

The proposed revision provides an additional method of funding gas main and service extensions costs that are above the allowed extension feasibility limit approved by the Commission.

Peoples would enter a guaranty agreement with credit-worthy parties to fund the excess of the actual cost above the MACC for the pipeline extension and amortize the recovery through a surcharge to the customers served in the areas added. The guarantor agrees to pay Peoples any unrecovered balance at the end of the agreed Amortization Period.

The Main and Service Extension Amortization Surcharge (MSEA Surcharge) would be for a clearly defined geographic area served by each extension. The MSEA Surcharge will remain constant for the term of the Amortization Period. If Peoples recovers the amount above MACC before the end of the Amortization Period, the MSEA Surcharge will end. Any possible over-recovery shall be promptly credited to the existing customers in the surcharge area.

Our Staff initially recommended that the proposed tariff be denied. Staff advised that the length of surcharge Amortization Periods should be limited to ten years. This qualification would limit debt liability to customers and guarantors and give a date certain on the outer time limits for all parties. Further, the time limit is consistent with another gas utility's approved petition, Florida Public Utilities Company in docket 941291-GU, for similar gas service extension tariff changes.

At the agenda conference, Staff modified its Recommendation and proposed that we approve a revised tariff, which Peoples had since filed, incorporating the minor revisions proposed by staff, noted above. Based on the foregoing, we approve the tariff as revised by Peoples to include the limit of ten years to the amortization period and to reflect that Peoples will earn interest on its funding, using the overall rate of return approved by the Commission in Peoples' last rate proceeding before completion of the extension guaranty agreement. The limitation of the amortization period is not intended to restrict Peoples from seeking surcharge approvals for large or unique projects where the economics would justify atypical treatment.

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

The potential income tax impact of the contributions has been discussed with company personnel. According to the company, Peoples currently receives very few of these type extensions and the amount collected is small. Because the amount collected will be only the differential between what is and is not economically feasible and there is a potential for a refund, the company believes that the tax impact of the contribution is immaterial. We agree. However, if the company's amount or quantity of contributions increase, there may be a need to address this at a later date.

This new option for funding main and service extensions will allow customers that could not otherwise be served gas under the existing tariff provisions to have gas service. The customers and Peoples will be protected by the guaranty agreement assuring full repayment of any amount by which the investment exceeds the MACC.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc.'s revised tariff is hereby approved, as discussed in the body of this Order. It is further

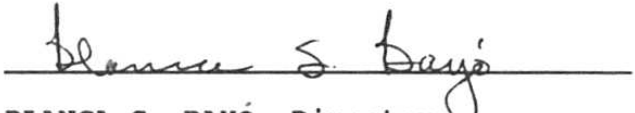
ORDERED that this tariff shall become effective as of the date stamped approved by Commission Staff after the issuance of this Order. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth on the following pages, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

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

ORDER NO. PSC-95-0161-FOF-GU
DOCKET NO. 941043-GU
PAGE 4

By ORDER of the Florida Public Service Commission, this 6th
day of February, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

SLE

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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 27, 1995.

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

ORDER NO. PSC-95-0161-FOF-GU
DOCKET NO. 941043-GU
PAGE 5

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.