

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of ) DOCKET NO. 941291-GU  
modification to tariff ) ORDER NO. PSC-95-0162-FOF-GU  
provisions governing main and ) ISSUED: February 7, 1995  
service extensions by FLORIDA )  
PUBLIC UTILITIES COMPANY. )  

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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 MODIFICATION

BY THE COMMISSION:

Florida Public Utilities Company (FPUC) 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 FPUC'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 less the cost of gas.

In the event the required capital investment exceeds the MACC, FPUC 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 FPUC will refund to customers 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.

2. For each additional customer taking service at any point on the extension within a period of five years from date of construction, FPUC will refund to the customer also paid the

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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 will not have been necessary to serve the additional customer.

FPUC proposed an alternative method of recovering capital investment in excess of the MACC when extending its facilities to provide service to customers who presently do not have natural gas service available and do not meet our approved feasibility formula. This method allows new gas customers who do not presently meet feasibility criteria to obtain gas service without increasing costs to existing customers of FPUC. FPUC will fund the amount above the MACC required to construct the facilities and recover the investment from customers served by the extension by collecting an Area Expansion Program (AEP) surcharge.

The AEP provides for determination of a specific surcharge applicable to each designated expansion area by class of customer. It is calculated by a formula based on: the amount of excess capital investment required; the Company's authorized rate of return, which we approved in its last rate proceeding; the projected sales to be made on the extension; the period of time the surcharge is applicable, and; the competitive conditions in the prevailing expansion area. Once set, the AEP surcharge will remain constant for the projected term of the collection period. If the revenues collected exceed the estimated AEP projection, FPUC will refund any revenues in excess of the projected surcharge total to all existing customers in the AEP area.

The excess cost above the MACC should not be included in the rate base for ratemaking and earnings surveillance reports. 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.

We have reviewed the potential income tax impact of the contributions. FPUC currently receives very few request for this type of extension, and the amount collected is small. Since 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 tax impact of the contribution is immaterial. If FPUC's amount or quantity of contributions increase, however, we may wish to review the tax impact again.

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The AEP surcharge option for funding main & service extension will allow customers who could not otherwise be served natural gas under existing tariff provisions to have gas service. These customers might include existing L.P. gas (propane) customers, customers in new areas not yet developed, and areas fully developed that are remote from existing gas systems. The existing customers and FPUC will be protected by the surcharge recovery of any amount by which the investment exceeds the MACC.

It is, therefore,

ORDERED by the Florida Public Service Commission that the proposed tariff modifications to Florida Public Utilities Company's main and service extensions are approved, as discussed in the body of this Order. It is further

ORDERED that the tariff is effective January 17, 1995. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, 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.

By ORDER of the Florida Public Service Commission, this 7th day of February, 1995.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

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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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 28, 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.