

ORIGINAL  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of City Gas )  
Company of Florida for Approval )  
of Tariffs Governing Extension )  
of Facilities. )

DOCKET NO. 950206-G4

FILED: February 17, 1995

CITY GAS COMPANY OF FLORIDA'S PETITION FOR  
APPROVAL OF TARIFFS MODIFYING THE MAXIMUM  
ALLOWABLE CONSTRUCTION COST FOR FREE EXTENSIONS AND  
IMPLEMENTING AN ALTERNATIVE AREA EXTENSION PROGRAM CHARGE

City Gas Company of Florida (City Gas), pursuant to rule 25-22.036(4), Florida Administrative Code, hereby petitions the Commission to approve new tariff sheets modifying calculations of the Company's maximum allowable construction cost associated with free extensions, and establishing an Area Extension Program applicable to certain extensions of main and service facilities as described herein. This petition is not submitted pursuant to section 366.06(4), Florida Statutes (the "file-and-suspend" law). In support of its petition, City Gas states:

INTRODUCTION

- 1. The name and address of the Petitioner is:

City Gas Company of Florida  
955 East 25th Street  
Hialeah, Florida 33013-3498

G41602

- 2. All notices, pleadings, orders and correspondence in this docket should be addressed to:

Joseph A. McGlothlin  
Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin, Davidson,  
Rief & Bakas  
315 S. Calhoun Street, Suite 716  
Tallahassee, Florida 32301

Rand Smith, Vice President of Finance

DOCUMENT NUMBER-DATE

02114 FEB 22 1995

FPSC-RECORDS/REPORTING

Rand Smith, Vice President of Finance  
City Gas Company of Florida  
955 East 25th Street  
Hialeah, Florida 33013-3498

#### BACKGROUND

3. City Gas, an operating division of NUI Corporation, is a natural gas distribution company and a "public utility" as defined in section 366.02(1), Florida Statutes, subject to the Commission's jurisdiction. City Gas provides natural gas service to over 91,000 customers in parts of Dade, Broward, Brevard and St. Lucie Counties, Florida.

4. At the end of the 1994 fiscal year, City Gas provided service through a 2,493 mile network of pipelines and mains.

#### THE PROPOSED TARIFF REVISIONS

5. Presently, City Gas' tariff governing the extension of gas mains and service facilities provides that where the maximum allowable construction cost (MACC), defined as four times the estimated annual gas revenues to be derived from the facilities excluding the cost of gas, is greater than the capital investment required for the extension, City Gas will extend service at no cost to either the party requesting the extension or the customer served by the extension. Where the MACC is less than the required capital investment, the tariff provides that City Gas will extend service if the customer requesting service first pays a non-interest

bearing advance in aid of construction in an amount equal to the cost in excess of the MACC.

6. In this filing, City Gas proposes to modify the MACC to an amount that is the equivalent of six times the estimated annual gas revenues.

7. In addition, City Gas proposes an optional, alternate method of funding main and service extensions and recovering the difference between the actual cost of an extension and the MACC. Under the proposed alternative, City Gas would fund the extension and recover the excess of the actual cost above the MACC directly from customers served by the extension, via the proposed Area Extension Program (AEP) charge. The availability of the AEP option and the provisions describing the AEP are set forth on First Revised Sheet Nos. 12-13 and Original Sheet No. 13.1 in the Rules and Regulations provisions of City Gas' tariff. Attachment A to this Petition contains the proposed tariff sheets in final format. Attachment B presents the proposed tariff sheets in legislative format.

8. The AEP charge for a given geographic area served by a particular extension would be calculated by a formula based on the amount to be amortized through the AEP charge, City Gas' authorized rate of return at the time the extension is made, the projected sales to be made over the extension, and the length of the amortization period. Under the Company's proposal, the AEP for any geographic area could be modified once at a specified point during

the amortization period if circumstances warrant. Parties requesting an extension subject to the AEP may execute a guaranty agreement by which they promise to pay to City Gas any remaining unamortized balance at the end of the amortization period. If the full amount is amortized before the end of the amortization period, the AEP charge would terminate immediately, and any overrecovery would be promptly credited to the affected customers.

9. City Gas expects to incur slight additional administrative costs to implement and administer the AEP charge. City Gas believes that the additional flexibility in funding main and service extensions afforded by this alternative will benefit developers, other authorities requesting extensions, and customers, and that these benefits justify the slight potential cost of offering this option. The one-time opportunity to modify the charge will assure that the amount of the charge will be designed to allocate the costs of the extension fairly over those who benefit.

#### RELIEF REQUESTED

10. City Gas would like to implement this additional main and service extension option as soon as possible, and requests the Commission to expedite its consideration of this Petition. City Gas further requests that the proposed changes be approved to become effective on the day of the Commission's vote approving them.

WHEREFORE, City Gas requests the Commission to approve the attached tariff revisions; to make the Commission's approval effective on the date of the Commission's vote; and to expedite its consideration of the Petition.

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of Florida

RULES AND REGULATIONS

10. Extension of Facilities

- A. Free Extensions of Mains and Services: The maximum capital investment to be made by the Company for main and service facilities without cost to the customer shall be defined as the maximum allowable construction cost (MACC). The MACC shall equal six times the annual gas revenues estimated to be derived from the facilities, excluding the cost of gas. In estimating annual revenues, seasonal facilities such as swimming pool heaters and spa heaters shall not be included.
- B. Extensions of Mains and Services Above Free Limit: When the cost of the extension required to provide service is greater than the free limit specified above, the Company may require a non-interest bearing advance in aid of construction (ATC) equal to the cost in excess of such free limit provided that:
1. At the end of the first year following construction, the Company shall refund to the person paying the ATC or his assigns an amount equal to the excess, if any, of the MACC as recalculated using actual gas revenues, less the actual cost of gas, over the estimated MACC used to determine the amount of the ATC.
  2. For each additional customer taking service at any point on the extension within a period of five (5) years from date of construction, the Company shall refund to the person paying the ATC or his assigns an amount by which the MACC for the new customer exceeds the cost of connecting the customer, provided that an additional main extension shall have not been necessary to serve the additional customer.
  3. The aggregate refund to any customer made through the provisions of (a) and (b) above shall at no time exceed the original ATC of such customer.
  4. The extension shall at all times be the property of the Company and any unrefunded portion of the ATC at the end of five (5) years shall be credited to the plant account of the Company.
- C. Area Extension Program Charge: Notwithstanding the provisions of Section 10.A and 10.B, when facilities are to be extended to serve multiple delivery points in a discrete geographic area, the Company may require an Area Extension Program Charge (AEP). The Company, in its sole discretion, may require this charge when:
1. The cost of the project facilities required to provide service through the area is greater than the aggregate MACC for the customers to be served; and

RULES AND REGULATIONS

2. The Company reasonably forecasts gas revenues, including the AEP and excluding the cost of gas, during the period ending ten years from when the mains required to serve the project facilities are placed in service (the Amortization Period), that are sufficient to recover the cost of the project facilities.

The AEP, which shall be stated on a per therm basis, shall apply with respect to all natural gas sold or transported to Company customers located within the applicable discrete geographic area during the Amortization Period.

The AEP will be calculated by dividing (1) the amount of additional revenue required in excess of the Company's applicable tariff rates by (2) the volume of gas reasonably forecast to be sold or transported to customers within the applicable discrete geographic area during the Amortization Period. The additional revenue required is that amount determined necessary to recover the excess cost of the facilities, including the Company's allowed cost of capital.

AEP collected shall be used specifically to amortize the cost of the project facilities within the applicable discrete geographic area that are in excess of the MACC. If the AEP collected is sufficient before the expiration of the Amortization Period to fully amortize the excess costs, including provision for the accumulated cost of capital, the AEP for that area shall terminate immediately, and the Company shall promptly credit the affected customers for amounts over collected, if any.

Upon the earlier of (1) the third anniversary of the date when the project facilities are placed in service and (2) the date on which 80% of the originally forecast annual load is connected, 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 (whether upward or downward) will be applied prospectively over the remainder of the Amortization Period.

The Company may enter into a guaranty agreement with the party or parties requesting the extension, whereby that party or parties agree to pay to the Company any unamortized balance remaining at the end of the Amortization Period. The Company's rights under the guaranty agreement will not be considered when calculating the AEP.

The length of the Amortization Period may be modified upon the specific approval of the Florida Public Service Commission.

RULES AND REGULATIONS

- D. General: The Company will own, control and maintain all service pipes, regulators, vents, meters, meter connections, valves and other appurtenances from the main to the outlet side of the meter.

The extension of facilities provisions shall not require the Company to extend its mains across private property or in streets that are not at established grade; nor prohibit the Company from making extensions of mains of greater length than required herein.



RULES AND REGULATIONS

10. Extension of Facilities

- A Free Extensions of Mains and Services: The maximum capital investment to be made by the Company for main and service facilities without cost to the customer shall be defined as the maximum allowable construction cost (MACC). The maximum allowable construction cost (MACC) shall equal four times the annual gas revenues estimated annual gas revenues to be derived from the facilities, excluding the cost of gas. In estimating annual revenues, seasonal facilities such as swimming pool heaters and spa heaters shall not be included.
- B Extensions of Mains and Services Above Free Limit: When the cost of the extension required to provide service is greater than the free limit specified above, the Company may require a non-interest bearing advance in aid of construction of MACC equal to the cost in excess of such free limit provided that:
- 1 At the end of the first year following construction, the Company shall refund to the person paying the advance in aid of construction MACC or his assigns an amount equal to the excess, if any, of the MACC over the actual cost of construction 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 MACC.
  - 2 For each additional customer taking service at any point on the extension within a period of five (5) years from date of construction, the Company shall refund to the person paying the advance in aid of construction MACC or his assigns an amount by which the maximum allowable construction cost MACC for the new customer exceeds the cost of connecting the customer, provided that an additional main extension shall have not been necessary to serve the additional customer.
  - 3 The aggregate refund to any customer made through the provisions of (a) and (b) above shall at no time exceed the original advance in aid of construction MACC of such customer.
  - 4 The extension shall at all times be the property of the Company and any unrefunded portion of the advance in aid of construction MACC at the end of five (5) years shall be credited to the plant account of the Company.

RULES AND REGULATIONS

~~Area Extension Program Charge. Notwithstanding the provisions of Section 10.4 and 10.8, when facilities are to be extended to serve multiple delivery points in a discrete geographic area, the Company may require an Area Extension Program Charge (AEP). The Company, in its sole discretion, may require this charge when:~~

~~(1) The costs of the extended facilities required to provide service through the area is greater than the aggregate MAEC for the customers to be served; and~~

~~(2) The Company reasonably forecasts gas revenues, the income the AEP will generate in the cost of gas, during the period ending ten years from when the facilities are placed in service in the Amortization Period, that are sufficient to recover all costs of the project facilities.~~

~~The AEP amount shall be stated on a per term basis, shall apply with respect to all natural gas sold or transported to company customers located within the applicable discrete geographic area during the Amortization Period.~~

~~The AEP will only be levied on a pro-rata basis on the amount of additional revenue generated in excess of the Company's applicable rates by (1) the volume of gas reasonably forecast to be sold or transported to customers within the applicable discrete geographic area during the Amortization Period, and (2) the additional revenue required to that amount determined necessary to recover the excess costs of the facilities, including the Company's allowed cost of capital.~~

~~AEP collected shall be used specifically to amortize the cost of the project facilities within the applicable discrete geographic area that are in excess of the MAEC. If the AEP collected is sufficient before the expiration of the Amortization Period to fully amortize the excess costs, and in accordance with the accumulated cost of capital, the AEP collection shall terminate immediately and the Company shall promptly credit the affected customers for amounts over collected, if any.~~

~~Upon the earlier of (1) the third anniversary of the date when the project facilities are placed in service and (2) the date on which 80% of the pro-rata forecast annual load is connected, 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 result of the adjustment of the AEP (whether upward or downward) will be applied prospectively over the remainder of the Amortization Period.~~

RULES AND REGULATIONS

~~The Company shall not be required to make line extensions as described in this rule unless those to be served by such extensions shall contract to use such service for at least two years.~~

~~The Company may enter into a guaranty agreement with the party or parties requesting the extensions whereby that party or parties agree to pay to the Company any unamortized balance remaining at the end of the Amortization Period. The Company's rights under the guaranty agreement will not be considered when calculating the AEP.~~

~~The length of the Amortization Period may be modified upon the specific approval of the Florida Public Service Commission.~~

~~General~~ The Company will own, control and maintain all service pipes, regulators, vents, meters, meter connections, valves and other appurtenances from the main to the outlet side of the meter.

~~These~~ ~~the extension of facilities~~ provisions shall not require the Company to extend its mains across private property or in streets that are not at established grade; nor prohibit the Company from making extensions of mains of greater length than required herein.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of City Gas Company of Florida's Petition for Approval of Tariffs Modifying the Maximum Allowable Construction Cost for Free Extensions and Implementing an Alternative Area Extension Program Charge has been hand delivered to Vicki Johnson, Division of Legal Services, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida, 32399, this 17th day of February, 1995.

Vicki Gordon Kaufman  
Vicki Gordon Kaufman