

MEMORANDUM

APRIL 24, 1995

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11:50

TO: DIVISION OF RECORDS AND REPORTING

FPSC-RECORDS/REPORTING

FROM: DIVISION OF LEGAL SERVICES (BROWN/REBUCK) MCB MTR

RE: DOCKET NO. 950206-GU - PETITION FOR APPROVAL OF
MODIFICATIONS TO TARIFF PROVISIONS GOVERNING MAIN AND
SERVICE EXTENSIONS BY CITY GAS COMPANY

6506-FOF 4/15

Attached is an ORDER APPROVING TARIFF MODIFICATION to be
issued in the above-referenced docket. (Number of pages - 5)

MCB/MTR/js

Attachment

cc: Division of Electric and Gas

I: 950206.MTR

2660.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 950206-GU
tariffs governing extension of) ORDER NO. PSC-95-0506-FOF-GU
facilities by City Gas Company) ISSUED: April 24, 1995
of Florida.)
_____)

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:

City Gas Company of Florida (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 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 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 contribution 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, the company shall refund to the customer that paid the contribution-in-aid-of-construction an

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amount by which the MACC for the new customer exceeds the cost of connecting the customer, provided that an additional main extension is not necessary to serve the additional customer.

The company proposed to increase the MACC to an amount equivalent to six times the estimated annual gas revenues rather than its current four times annual revenues. This change is permitted under our Rule 25-7.054, Florida Administrative Code, governing gas service extension policies.

The company also proposed an optional, alternative method to recover capital investment in excess of the MACC for service to customers who do not have natural gas service available and do not meet the Commission's approved feasibility formula. This method allows new gas customers that do not meet feasibility criteria to obtain gas service without increasing costs to existing customers. The company will fund the amount above the MACC required to construct the facilities, and recover the investment from new customers 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 approved by the Commission 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. The company will review the AEP surcharge on the third anniversary of the date when the project facilities were placed into service, or on the date when 80% of the originally forecast annual load is connected, whatever comes first. The company will adjust the AEP surcharge only once, and the new charge will be applied prospectively over the remainder of the amortization period. The company will promptly refund any revenues in excess of the projected surcharge total 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 company will not include the excess cost above the MACC in rate base, and it will exclude the related surcharge recovery from the income statement. The company will make specific adjustments on the earnings surveillance report to eliminate these items. It will also establish specific subaccounts to clearly identify the amounts related to the excess cost above the MACC and its recovery.

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We have reviewed the potential income tax impact of the contributions. Since the amount collected will only be the differential between what is and is not economically feasible and since there is a potential for a refund, we conclude that the tax impact of the contribution is immaterial. If the company's amount or quantity of contributions increase, we may need to review this again in the future.

The AEP surcharge option for funding main & service extensions will allow customers that could not otherwise be served natural gas under existing tariff provisions to have gas service. The AEP surcharge option could affect existing L.P. gas (propane) customers, new areas not yet constructed, and areas fully developed that are remote from existing gas systems. The existing customers and the company will be protected by the surcharge recovery of any amount by which the investment exceeds the MACC. We hold that the tariff modification is approved.

The petitioner has requested that the tariff changes become effective at the time of the Commission vote. We concur with the requested effective date. If the approval is protested, the tariff shall remain in effect pending resolution of the protest.

It is, therefore,

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

ORDERED that the tariff is effective April 18, 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.

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By ORDER of the Florida Public Service Commission, this 24th
day of April, 1995.

BLANCA S. BAYO, Director
Division of Records and Reporting

by: Kay Hegan
Chief, Bureau of Records

(S E A L)

MCB/MTR

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 May 15, 1995.

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

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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.