

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of revisions to tariff provisions governing extension of mains and services to provide gas service facilities to new customers, by Peoples Gas System.

DOCKET NO. 030923-GU
ORDER NO. PSC-04-0072-TRF-GU
ISSUED: January 26, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER APPROVING MODIFICATION TO THE DEFINITION OF
MAXIMUM ALLOWABLE CONSTRUCTION COST FOR PEOPLES GAS SYSTEM

BY THE COMMISSION:

Peoples Gas System (Peoples or Company) presently extends its facilities to provide service in accordance with the provisions of Rule 25-7.054, Florida Administrative Code. The rule requires that natural gas utilities maintain a standard policy governing the amount of main service extension that will be made at no cost to a new customer. Free extensions are required when the capital investment necessary to extend the facilities in order to provide service is equal to or less than the maximum allowable construction cost (MACC).

Rule 25-7.054, Florida Administrative Code, defines the MACC as an amount equal to four times the estimated annual gas revenues to be derived from the facilities, less the cost of gas. If a utility and a consumer are unable to agree in regard to an extension, either party may appeal to the Commission for review, pursuant to Rule 25-7.054, Florida Administrative Code; however, the Company has the discretion to develop an extension policy more favorable to its customers as long as no discrimination is

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practiced between customers. In the event the required capital investment exceeds the MACC, the company may require the customer to make a non-interest bearing deposit in aid of the construction cost.

On September 22, 2003, Peoples filed a petition for approval of a modification to its tariff provisions governing extension of mains and services reducing the MACC to four times the estimated annual revenue to be derived from the facilities, less the cost of gas. This Order addresses Peoples' petition.

Jurisdiction over this matter is vested in the Commission pursuant to Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Peoples has proposed modification of its existing tariff rules and regulations governing Main and Service Extensions. The most recent tariff provisions governing Mains and Service Extensions were approved by Order No. PSC-94-1341-FOF-GU, issued October 31, 1994, Docket No. 940960-GU, In Re: Petition for approval of modifications to tariffs governing main and service extensions by Peoples Gas System, Inc. According to this Order, Peoples' tariff defines the MACC to be five times the estimated annual revenue to be derived from the extended facilities, less the cost of gas, and requires a deposit from the customer for the amount by which the estimated construction cost for an extension exceeds the MACC. In this petition, Peoples proposed to reduce the MACC to four times the estimated annual revenue, less the cost of gas.

Peoples states that the reduction of the multiplier from five to four will help ensure that the Company is not required to make extensions of mains and services to the detriment of its existing customers. Most of the facilities extensions are needed to serve potential new commercial customers. Peoples maintains that extensions using a five-year multiplier results in a return on equity (ROE) below the Company's currently authorized mid-point of 11.25%, while those using a four-year multiplier would produce an ROE at or slightly above 11.25%.

Rule 25-7.054, Florida Administrative Code, requires the utility to develop a standard policy governing the amount of main and service extension that will be provided to connect a new

customer without requiring compensation from the customer. The rule provides that if a utility and a consumer cannot agree in regard to an extension, either party may appeal to the Commission for a review, wherein the Commission will be guided by the general principles laid out in the rule. One of these general principles says that the MACC "shall equal four times the estimated annual gas revenue to be derived from the facilities less the cost of gas."

Paragraph (3)(c) of Rule 25-7.054, Florida Administrative Code, provides that a utility has the discretion to develop an extension policy more favorable to its customers as long as no discrimination is practiced between customers. As a result, a utility could have a multiplier of ten for MACC if it chooses to do so, but the minimum required by the rule is four. Peoples currently defines the MACC to be five times the estimated annual revenue to be derived from the extended facilities, less the cost of gas. In its petition, the Company is requesting that the MACC be changed to a multiplier of four. The proposed tariff governing main and service extensions meets the minimum requirements of the rule. Accordingly, Peoples' requested modification to tariff provisions governing Mains and Service Extensions shall be approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Peoples Gas System's Petition for Approval of Revisions to Tariff Provisions Governing Extension of Mains and Services to Provide Gas Service Facilities to New Customers is hereby approved. It is further

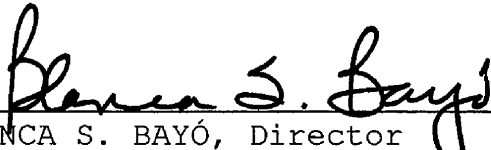
ORDERED that the effective date of the revision of the definition of Maximum Allowable Construction Cost for Peoples Gas System is January 6, 2004. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

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By ORDER of the Florida Public Service Commission this 26th
day of January, 2004.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal

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proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 16, 2004.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.