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November 12, 2007

070688-60

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Arlene Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**Re: Petition for approval of Petition for approval of tariff modifications relating to Main and Service Extension Amortization (MSEA) Surcharge, by Peoples Gas System**

CMP \_\_\_\_\_ Dear Ms. Cole:

COM \_\_\_\_\_

CTR \_\_\_\_\_ Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original and 12 copies of Peoples' petition referenced above. Enclosed also are five copies of each of the following revised (or original) sheets to Peoples' Natural Gas GCL 2 Tariff, Original Volume No. 3, for which the Company's petition seeks the Commission's approval:

OPC \_\_\_\_\_

RCA \_\_\_\_\_

SCR \_\_\_\_\_

SGA \_\_\_\_\_

SEC \_\_\_\_\_

OTH Chk: 2

- Third Revised Sheet No. 5.000-1
- Second Revised Sheet No. 5.601-2
- Fourth Revised Sheet No. 7.000
- Fourth Revised Sheet No. 7.101-7
- Second Revised Sheet No. 7.101-8
- First Revised Sheet No. 7.101-9

*\* All copies of tariffs forwarded to ECR.*

The coded (legislative style) versions of each of the above revised sheets required by Rule 25-9.005, F.A.C., are attached to the Company's petition.

Please acknowledge your receipt of the enclosures, the date of their filing, and the docket number assigned, on the enclosed copy of this letter, and return the same to me in the enclosed preaddressed envelope.

DOCUMENT NUMBER-DATE

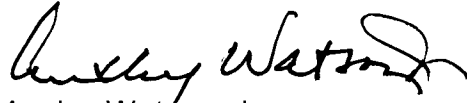
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Ann Cole  
November 12, 2007  
Page 2

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a  
Enclosures

cc: Mrs. Kandi M. Floyd

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of tariff )  
modifications relating to Main and )  
Service Extension Amortization (MSEA) )  
Surcharge, by Peoples Gas System )  
\_\_\_\_\_ )

Docket No. 070688-611

Submitted for Filing:  
11-13-07

**PETITION OF PEOPLES GAS SYSTEM  
FOR APPROVAL OF TARIFF MODIFICATIONS**

Peoples Gas System ("Peoples", "Petitioner" or the "Company"), by its undersigned attorneys, files this petition for approval of modifications to its Natural Gas Tariff, Original Volume No. 3, changing the methodology for calculating and recovering the Company's Main and Service Extension Amortization ("MSEA") surcharge from customers in the area to which such surcharge applies, submits herewith revised tariff sheets to become effective as of the date of the Commission's vote disposing of this petition, and in support of its petition states:

1. The name, address and telephone number of the petitioner are:

Peoples Gas System  
P. O. Box 2562  
Tampa, Florida 33601-2562  
(813) 228-4111

2. The names and mailing addresses of the persons to whom notices, orders and correspondence regarding this petition are to be sent are:

Ansley Watson, Jr.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601-1531

Ms. Paula Brown  
Regulatory Affairs  
Peoples Gas System  
P. O. Box 2562  
Tampa, Florida 33601-2562

3. Peoples is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas to approximately 320,000 customers throughout

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most of the State of Florida, and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

### **BACKGROUND**

4. Pursuant to Rule 25-7.054, *F.A.C.*, Peoples' tariff contains a detailed statement of rules and regulations governing the extension of mains and services. These rules describe those extensions that will be made by the Company at no charge to a new customer, and those that require the customer to pay a construction deposit, or contribution in aid of construction ("CIAC"), to cover any cost in excess of the maximum allowable construction cost ("MACC") (the "Excess Capital Cost") before the extension of facilities will be made.

5. In addition, Peoples' tariff contains provisions for the application of a Main and Service Extension Amortization ("MSEA") surcharge to recover the Excess Capital Cost of an extension of facilities in cases where the collection of a CIAC is not feasible. Provisions for the MSEA surcharge were approved by the Commission's Order No. PSC-95-0161-FOF-GU, issued on February 6, 1995, in Docket No. 941043-GU, and modifications thereto were approved by Order No. PSC-01-0391-TRF-GU, issued on February 15, 2001, in Docket No. 001755-GU.

6. The MSEA surcharge may be applied by the Company in cases where the estimated cost of extending main and service facilities necessary to provide natural gas service exceeds the MACC (*i.e.*, where there is an Excess Capital Cost), and Peoples determines in its reasonable discretion that the extension will produce sufficient revenues to justify the investment and that the person or persons requesting the extension is or are creditworthy. In cases where the MSEA surcharge is applied, it is payable only by

customers in the area (usually a residential or mixed use development) served by the extension.

7. Under Peoples' current tariff provisions, the surcharge is designed to recover, from those customers served by the extension, revenues sufficient to amortize the Excess Capital Cost, while yielding the Company's overall rate of return approved by the Commission in the Company's last rate case, over a period not exceeding 10 years. The recovery is accomplished through the surcharge – an additional per-therm amount collected from each customer based on the estimated number of customers in the extension area and the estimated consumption of each such customer. The surcharge is recalculated on the earlier of the third anniversary of the in-service date of the extension and the date when 80% of the originally forecast annual consumption is connected.

8. Presently, as previously indicated, the MSEA surcharge is applied as an additional variable per-therm charge on a customer's bills after the customer activates service in the area served by the extended facilities. The surcharge continues to apply to the consumption of each customer in the area served by the extended facilities until the earlier of the Company's recovery of the Excess Capital Cost, or the end of the amortization period. That is, if the Excess Capital Cost is recovered before the end of the amortization period, the surcharge ceases, and if the Excess Capital Cost has not been recovered as of the end of the amortization period, the Company recovers the remaining balance thereof from a guarantor.

9. As in the case of an extension where a customer (or customers) elect to pay any Excess Capital Cost through a CIAC, the MSEA surcharge protects the Company's other ratepayers from the Company's making an otherwise non-feasible

extension to provide gas service, but permits the customer(s) requesting service to pay the Excess capital Cost over a period of time not exceeding 10 years.

### **RELIEF REQUESTED**

10. By this petition, Peoples seeks the Commission's approval for changes to permit the recovery of any Excess Capital Cost through the MSEA surcharge on a per-premise, rather than a per-therm basis, and changing the name of the surcharge to Main Extension Program ("MEP Charge").

11. Rather than dividing the Excess Capital Cost of the extension by the projected year-by-year therm sales during the amortization period, the Excess Capital Cost would be divided by the number of active premises projected to be served by the extended facilities following the in-service date of such facilities, and the result would be divided by the number of months in the amortization period to establish the monthly MEP Charge. No change is proposed in the current requirement that an amortization period be no longer than 120 months. The collection would be on a per-premise (or per-customer bill) per month basis, and the charge would be applied to each premise activating service through the extended facilities until such time as the Excess Capital Cost was fully recovered or the amortization period expired. If a premise, having once initiated gas service, became inactive, the amortization period would be suspended as to that premise until service was reactivated. In no case would the MEP Charge be applied to any premise in the area served by the extension after the Company's full recovery of the Excess Capital Cost associated with the extended facilities. As provided currently, the MEP Charge would be recalculated upon the earlier to occur of (i) the third anniversary of the in-service date of the extended facilities or (ii) the date on which 80% of the originally projected number of premises have activated gas service.

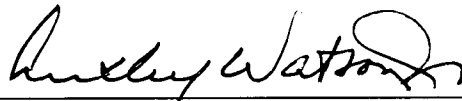
12. Peoples believes that the proposed changes to the current MSEA surcharge provisions proposed herein would likely yield more accurate estimates of the MEP Charge required to recover the Excess Capital Cost because the estimate would involve only the projected premise count by year, rather than both projected premise count and therm consumption by year.

13. More importantly, the capital cost to serve an average residential customer is the same regardless of differences among the gas consumption or usage of each customer. Peoples believes that applying the same level of MEP Charge to all residential customers activating service in an area served by the extended facilities is a more equitable mechanism for recovering the Company's investment in distribution plant (mains, service lines, meters, regulators, etc.) than is the current mechanism based on therms delivered. In addition, the volumetric surcharge under the current tariff provisions has the potential to increase a customer's total bill for months in which the customer's consumption is high due to weather. The flat monthly MEP Charge per customer proposed by this petition would reduce the possible volatility in bill amounts caused by fluctuating weather conditions.

13. Attached to this petition, and incorporated herein by reference, are revised tariff sheets showing, in legislative format, the changes for which Peoples seeks the Commission's approval.

WHEREFORE, Peoples respectfully requests that the Commission will enter its order permitting the revised tariff sheets submitted with this petition to become effective on the date of the Commission's vote disposing of this petition.

Respectfully submitted,



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Macfarlane Ferguson & McMullen  
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Tampa, Florida 33601-1531  
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Attorneys for Peoples Gas System



**INDEX OF RULES AND REGULATIONS (Continued)**

<u>ARTICLE</u>		<u>SHEET NO.</u>
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<b>X.</b>	<b>TRANSPORTATION SERVICE</b>	5.901

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**MAIN AND SERVICE EXTENSIONS (Continued)**

**D. ~~MAIN AND SERVICE EXTENSION PROGRAM~~AMORTIZATION SURCHARGE**

In cases where (i) the estimated actual cost of extending necessary Main and Service facilities exceeds the MACC; (ii) the Company, in its reasonable discretion, determines that there is a reasonable likelihood that such extension will produce sufficient revenue to justify the necessary investment in such facilities; and (iii) the Company determines that the credit-worthiness of the party or parties requesting the extension is satisfactory to assure recovery of the additional investment above the MACC, the Company may provide the facilities subject to a ~~Main and Service Extension Amortization Program~~ SurcCharge (MSEPA ~~SurcCharge~~) as provided on Sheets Nos. 7.101-7 through 7.101-9 of the Company's tariff. In such cases, in lieu of a Construction Deposit Agreement, the party or parties requesting an extension subject to the MSEPA SurcCharge may enter into a guaranty agreement with the Company by which said party or parties shall agree to pay to the Company any remaining unamortized balance of the amount subject to the MSEPA SurcCharge at the end of the Amortization Period.

## INDEX OF RATE SCHEDULES

### SHEET NO.

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E.	Transition Cost Recovery Charge	7.101-4
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H.	Conditions for Transportation of Customer-Owned Gas	7.101-7
I.	Main and Service Extension <u>Program</u> Amortization Surchage	7.101-7

## RATE SCHEDULES

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Commercial Standby Generator Service (CS-SG)	7.403

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#### INTERRUPTIBLE RATES:

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## GENERAL APPLICABILITY PROVISIONS (Continued)

### H. **CONDITIONS FOR TRANSPORTATION OF CUSTOMER-OWNED GAS**

Provisions applicable to each Customer which receives individual transportation service provided by Company (regardless of whether such Customer also purchases Gas from Company pursuant to a rate schedule providing for sales service) are found in Rider ITS of this tariff. Provisions applicable to each Customer which receives aggregated transportation service provided by Company (regardless of whether such Customer also purchases Gas from Company pursuant to a rate schedule providing for sales service) are found in Rider NCTS of this tariff.

### I. **MAIN AND SERVICE EXTENSION AMORTIZATION SURCHARGE PROGRAM**

In cases where the estimated actual cost of extending necessary Main and Service facilities exceeds the Maximum Allowable Construction Cost (MACC); and where the Company determines, in its reasonable discretion and in accord with Section VI of the Company's Rules and Regulations, that there is a reasonable likelihood that an extension of Main or Service facilities will produce sufficient revenues to justify the necessary investment in such facilities; and where the Company determines that the creditworthiness of the party or parties requesting the extension is satisfactory to assure recovery of the additional investment above the MACC, the Company may provide for the recovery of estimated actual extension costs in excess of the MACC via a Main and Service Extension Program (MEP Charge Amortization Surcharge (MSEA Surcharge)). In such cases, in lieu of a Construction Deposit Agreement, the party or parties requesting an extension subject to the MSEPA Charge Surcharge may enter into a guaranty agreement with the Company by which said party or parties shall agree to pay to the Company any remaining unamortized balance of the amount subject to the MSEPA Charge Surcharge at the end of the Amortization Period.

Where the MSEPA Charge Surcharge is applied, the MSEPA Surcharge shall be paid only by Customers in the area served by the extended Main and Service facilities for which the MSEPA Charge Surcharge is levied. The MSEPA Surcharge applicable to each such Customer shall be expressed in dollars cents per Premise Therm (as hereinafter defined) per month and shall be calculated according to the following formula.

### GENERAL APPLICABILITY PROVISIONS (Continued)

MSEPA SurCharge =  $\frac{\text{MSEPA Non-fuel Revenue Requirement} / \text{Total Non-fuel Revenue} \times \text{Revenue of Customer-s Rate Class} / \text{Projected Number of Premises} \times \text{Therm Consumption of Customer-s Rate Class}}{\text{Number of Months in the Amortization Period}}$

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where the following definitions apply:

"Initial MSEPA SurCharge" means the additional ratecharge, in dollarscents per PremiseTherm per month, to be paid by a Customer for each Premise located in the specific geographic area-(s) served by the extended Main and Service-facilities.

MSEPA Non-fuel Revenue Requirement means the non-fuel revenue requirement necessary to amortize the excess of the cost of the Main and service facilities extension above the applicable MACC, while yielding the Company's overall rate of return approved by the Florida Public Service Commission in the Company's last rate proceeding before completing the calculation of the MSEPA SurChargeextension guaranty agreement, and taking into account the projected year-by-year Premise aAdditionsTherm consumption for all rate classes to be madeserved through the extension.

~~Projected Projected Additional-Number of PremisesTherm Consumption~~ means the Company's estimate of the total number of new Premisescustomersmeters to be billedserved Therms to be delivered by the Company to a Customer's rate class within the area(s) served by the extended facilities in each year during the Amortization Periodin each year over the Amortization Period. ~~Additional PremisesProjected Therm consumption for any year shall not be less than the annual Additional PremisesTherm consumption projected or assumed for a Customer-s rate class for purposes of calculating the MACC applicable to the particular extension of facilities.~~

Total Non-fuel Revenue means the total revenue to be derived by Company from customer charges and distribution charges projected by Company to be paid by all Customers in all rate classes within the area(s) served by the extended facilities in each year over the Amortization Period.

Revenue of Customer's Rate Class means the total revenue to be derived by Company from customer charges and distribution charges projected by Company to be paid by all Customers in a Customer's rate class within the area(s) served by the extended facilities in each year over the Amortization Period.

Amortization Period means the period, in yearsmonths (not to exceed 120 yearBilling Months), over which the MSEPA SurCharges for a given area will be collected. The Amortization Period shall apply individually to each Premise and shall not exceed 120 Billing Months. For the Purpose of the MSEPA eest

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Issued On: February 27, 2004

Effective: February 6, 2004

~~rsurcharge recovery, a Billing Month shall mean a month in which the Company renders a billing statement to an active Customer Account for the Premise served by a MSEPA extension of facilities. If the event a Premise becomes inactive, the Amortization Period shall be suspended until the Premise is reactivated. The MSEA recovery amount shall be divided by the number of months in the Amortization Period to establish a monthly MSEA Charge. The MSEA Charge shall be billed to each Customer Premise activating service within the initial five (5) year period following the in-service date of the extension.~~

Upon the earlier of (1) the ~~third~~ anniversary of the ~~in-service date when~~ of the project facilities are placed in service ~~extension~~ and (2) the date on which 80% of the originally forecast Premises are annual load is activated ~~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 MSEPA SureCharge applicable to each rate class. The resulting adjustment of the MSEPA SureCharges (whether upward or downward) will be applied prospectively over the remainder of the Amortization Period.

Comment [d1]: Do we want/need a final true-up provision?

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### GENERAL APPLICABILITY PROVISIONS (Continued)

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 applicable MSEPA ~~Sur~~Charges.

If ~~Premise connections~~Gas consumption develops more rapidly than anticipated in the calculation of the MSEPA ~~Sur~~Charges, additional net base rate revenues (i.e., customer charges and distribution charges) shall be applied to reduce the remaining principal balance of the amount being amortized. If the principal balance is fully amortized before the Amortization Period ends, the MSEPA ~~Sur~~Charges for the specific area shall terminate immediately, and any over-collections shall be promptly credited to the affected Customers. If ~~Premise Additions~~Gas consumption over the Amortization Period is insufficient to fully amortize the principal amount being amortized, then the party or parties requesting the extension shall pay to the Company the remaining amount due pursuant to the guaranty agreement referenced above.

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