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December 4, 2000

IN REPLY REFER TO:

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## VIA FEDEX

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

801755-GW

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RECORDS AND REPORTING

**Re: Petition for approval of modifications to tariff provisions governing Main and Service Extension Amortization Surcharge, by Peoples Gas System**

Dear Ms. Bayo:

Enclosed for filing on behalf of Peoples Gas System, please find the original and 15 copies of Peoples' petition referenced above. Enclosed also are (a) five copies of the revised tariff sheets for which approval is sought, (b) two "coded" or legislative versions of the new tariff sheets showing changes, and (c) a diskette containing the petition in WordPerfect 8.0 format.

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter and return the same to the undersigned in the enclosed preaddressed envelope.

Thank you for your usual assistance.

Sincerely,



ANSLEY WATSON, JR.

AWjr/a  
Enclosures

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DOCUMENT NUMBER-DATE  
15566 DEC-5 8  
FPSC-RECORDS/REPORTING

Blanca S. Bayo, Director  
December 4, 2000  
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cc: Mr. Wayne R. Makin

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In Re: Petition for approval of )  
modifications to tariff provisions )  
governing Main and Service )  
Extension Amortization Surcharge, )  
by Peoples Gas System )

Docket No. 001755-60

Submitted for Filing:  
12-4-00

**PETITION OF PEOPLES GAS SYSTEM**

Peoples Gas System ("Peoples Gas" or the "Company"), by its undersigned attorneys, petitions the Commission for approval of revisions to its tariff provisions governing calculation of factors for its Main and Service Extension Amortization Surcharge. In support of its petition, Peoples Gas states:

1. The name of the petitioner and the mailing address of its principal office are:

Peoples Gas System  
702 North Franklin Street, 7<sup>th</sup> Floor  
Tampa, Florida 33602

2. The names and mailing addresses of the persons authorized to receive notices and communications with respect to this petition are:

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

and

Angela Llewellyn  
Peoples Gas System  
P. O. Box 2562  
Tampa, Florida 33601-2562

DOCUMENT NUMBER-DATE

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3. Peoples Gas extends main pipelines and service facilities in accordance with Rule 25-7.054, Florida Administrative Code, and the provisions of its Commission-approved tariff. The rule requires each utility to maintain a standard policy governing the amount of main and service extension that will be made at no cost to a new customer. Extensions are to be made at no cost to the customer when the capital investment necessary to extend the facilities to provide service is equal to or less than the maximum allowable construction cost (MACC). When the required capital investment is more than the MACC, PGS will extend service subject to either a construction deposit agreement or a Main and Service Extension Amortization (MSEA) Surcharge.

4. The MSEA Surcharge contained in the Peoples Gas tariff was approved by the Commission's Order No. PSC-95-0161-FOF-GU, issued February 6, 1995 in Docket No. 941043-GU. The MSEA Surcharge is separate from, but related to, the tariff provisions governing main and service line extensions. In cases where the construction cost for an extension exceeds the MACC for the project, the MSEA Surcharge may be used by the customer and the Company in lieu of the deposit provided for in the main-extension provisions of the tariff. In essence, the MSEA Surcharge allows the cost in excess of the MACC due from a customer to be collected over time as an additional bill item.

5. The Company's tariff currently provides for calculating the MSEA Surcharge as a single per-therm charge that would apply to any customer regardless of rate class. By this petition, Peoples Gas seeks authority to modify the MSEA Surcharge provisions of its tariff to provide for the calculation of MSEA Surcharge factors that vary by rate class. In cases where the MSEA Surcharge is applied to recover the cost of an extension in excess of the MACC for the project, the amount to be recovered from each customer rate class would be proportional to the base rate revenue expected

to be derived from such customer class as a result of the extension of facilities.

6. The Commission has long recognized the appropriateness of recovery factors that vary by rate class, and uses this method in setting Energy Conservation Cost Recovery Clause factors for natural gas utilities and also for the calculation of interim rates when interim relief is granted in a rate case. After the Commission approved the Company's current MSEA Surcharge, it approved a similar mechanism for Florida Public Utilities Company with surcharges that vary by rate class. Peoples Gas believes this to be a more appropriate means for recovery.

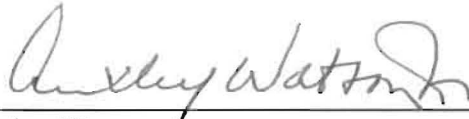
7. Except for the change from a single MSEA Surcharge factor which would apply to all customers in the specific geographic area(s) to be served by an extension, to factors which would vary by rate class, the MSEA Surcharge provisions in the Company's tariff would remain as initially approved by the Commission.

#### **REVISED TARIFF SHEETS**

8. Revised tariff sheets including the modifications to the calculation of the MSEA Surcharge by rate class accompany this petition. Legislative copies of the tariff sheets showing the changes for which approval is sought are also filed herewith.

WHEREFORE, Peoples Gas respectfully requests that the Commission grant the relief sought by this petition, and enter its order approving the modifications to the Company's tariff provisions governing its Main and Service Extension Amortization Surcharge, such approval to become effective as of the date of the Commission's vote.

Respectfully submitted,



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Attorneys for Peoples Gas System

## GENERAL APPLICABILITY PROVISIONS (Continued)

In event of a surplus, subtract: Credit to Firm  
PFD

In event of a shortfall, add: Shortfall recovery  
PFD

Where PFD is the projected Therm deliveries to firm Customers during the adjustment period. Any variation between the actual credit to firm Customers and the amount calculated pursuant to the preceding paragraph, or between the actual shortfall recovery and the amount which Company elected to recover in an adjustment period, shall be "trued-up" during the succeeding twelve (12) months pursuant to methodology approved by the Florida Public Service Commission.

6. Company may defer all or any portion of a shortfall recovery to a subsequent adjustment period or portion thereof.

### I. 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.

### J. MAIN AND SERVICE EXTENSION AMORTIZATION SURCHARGE

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 Amortization Surcharge (MSEA Surcharge). In such cases, in lieu of a Construction Deposit Agreement, the party or parties requesting an extension subject to the MSEA 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 MSEA Surcharge at the end of the Amortization Period.

Where the MSEA Surcharge is applied, the MSEA Surcharge shall be paid only by Customers in the area served by the extended Main and Service facilities for which the MSEA Surcharge is levied. The MSEA Surcharge applicable to each such Customer shall be expressed in cents per Therm and shall be calculated according to the following formula.

## GENERAL APPLICABILITY PROVISIONS (Continued)

MSEA Surcharge =  $\frac{\text{MSEA Non-fuel Revenue Requirement}}{\text{Total Non-fuel Revenue}} \times \frac{\text{Revenue of Customer's Rate Class}}{\text{Projected Therm Consumption of Customer's Rate Class}}$

where the following definitions apply:

MSEA Surcharge means the additional rate, in cents per Therm, to be paid by a Customer located in the specific geographic area (s) served by the extended Main and Service facilities.

MSEA Non-fuel Revenue Requirement means the 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 extension guaranty agreement, and taking into account the projected year-by-year Therm consumption for all rate classes to be made through the extension.

Projected Therm Consumption means the Company's estimate of the total Therms to be delivered by Company to a Customer's rate class within the area(s) served by the extended facilities in each year over the Amortization Period. Projected Therm consumption for any year shall not be less than the annual Therm 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 years (not to exceed 10 years), over which the MSEA Surcharges for a given area will be collected.

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 MSEA Surcharge applicable to each rate class. The resulting adjustment of the MSEA Surcharges (whether upward or downward) will be applied prospectively over the remainder of the Amortization Period.



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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 MSEA Surcharges.

If Gas consumption develops more rapidly than anticipated in the calculation of the MSEA Surcharges, 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 MSEA Surcharges for the specific area shall terminate immediately, and any over-collections shall be promptly credited to the affected Customers. If 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.