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February 2, 2017

BY E-PORTAL

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: {New Filing} – **Petition of Florida City Gas for Approval of Modification to Extension of Facilities and Area Extension Program Tariffs.**

Dear Ms. Stauffer:

Attached, for electronic filing, please find a true and correct copy of the Petition of Florida City Gas for Approval of Modifications to its Extension of Facilities and Area Extension Program Tariffs, along with the following revised tariff pages in clean and legislative versions:

Second Revised Sheet No. 16
First Revised Sheet No. 17
Original Sheet No. 17A

Thank you for your assistance with this filing. As always, please do not hesitate to contact me if you have any questions whatsoever.

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of modification to Extension of Facilities and Area Extension Program tariffs, by Florida City Gas	Docket No. Filed: February 2, 2017

PETITION FOR APPROVAL OF MODIFICATIONS TO EXTENSION OF FACILITIES AND AREA EXTENSION PROGRAM ("AEP") TARIFFS

Florida City Gas ("FCG" or "Company"), by and through its undersigned attorneys, hereby requests, in accordance with Sections 366.05 and 366.06, Florida Statutes, approval of a modification to its existing Extension of Facilities and Area Extension Program tariff to include language to provide the Company with the option to require entities seeking service in an AEP area, as well as others to whom the Extension of Facilities provisions apply, to make a minimum annual usage or "take or pay" commitment in order to receive service. In support of this request, FCG states:

1. The name and address of the petitioner are:

Florida City Gas
933 East 25th Street
Hialeah, FL 33013-3498

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

Beth Keating
Gunster Law Firm
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Blake O'Farrow, Director,
Regulatory Affairs
AGL Resources Inc.
10 Peachtree Place
Atlanta, GA 30309

3. FCG is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas in parts of Florida, and is a public utility

subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes.

4. The Commission has broad jurisdiction, including jurisdiction to grant the relief requested herein, under Sections 366.04, 366.05, and 366.07, Florida Statutes, pursuant to which the Commission is authorized to establish rates and charges for public utilities, and in doing so, to consider, among other things, whether the rules, regulations and practices of the utility are fair and reasonable. The Company is unaware of any material facts in dispute in this regard. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

I. BACKGROUND

5. Historically, extensions to serve customers have been recovered directly from the customer for whom the extension is made if the cost of such extension exceeds a certain cost/benefit calculation known as the Maximum Allowable Construction Cost ("MACC"), which is set forth in Rule 25-7.054(3), Florida Administrative Code. Under the Rule, the cost to extend service is free if it does not exceed the MACC. If the cost of the extension exceeds the MACC, then the Rule contemplates that the utility will require that the customer pay a non-interest bearing advance to cover the differential between the MACC and the project costs, which is referred to as the "Contribution In Aid of Construction" or CIAC.

6. In 1995, to promote economic development and to provide a more practical tool to expand service to unserved/underserved areas, FCG put forward an alternative approach that it believed would facilitate extensions that would have otherwise been in doubt were traditional CIAC required. At that time, FCG

proposed: (1) that it be allowed to adjust its calculation of the MACC to six times the annual margin revenues to be derived from the facilities; and (2) that it be allowed to implement an alternative program that could be used to facilitate certain extensions that might not otherwise be made if the traditional CIAC were applied. The Commission approved FCG's modified MACC calculation and AEP by Order No. PSC-95-0506-FOF-GU, issued April 24, 1995, in Docket No. 950206-GU.[1]

7. As set forth in FCG's tariff, an extension is eligible for the AEP if: (1) the extension is designed to serve a discrete geographic area; and (2) FCG reasonably forecasts that Margin Revenues plus the AEP surcharge will be sufficient to recover the costs of the extension over a 10-year period, which is referred to in the tariff as the "Amortization Period."[2] Under the AEP, recovery of qualifying extension costs in excess of the MACC is accomplished through a per therm surcharge calculated by dividing (1) the amount of additional revenues required in excess of the Company's tariffed rates by (2) the volume of gas reasonably forecast to be sold or transported to customers within the geographic area over the Amortization Period. The additional revenue is contemplated to include the additional costs above the MACC plus a reasonable return. The amounts collected under the AEP are used to amortize the costs of the project that exceed the MACC. If the amounts collected under the AEP recover the costs of the project before the expiration of the Amortization Period, the AEP is terminated. In addition, any amounts collected in excess of the amount necessary to fully recover the differential between the MACC and the extension

[1] The Commission has approved similar programs for other Local Distribution Companies in the following dockets: Florida Division of Chesapeake Utilities Corporation (Dockets Nos. 950523-GU and 060675-GU); West Florida Natural Gas (Docket No. 950953-GU); Florida Public Utilities (Docket No. 941291-GU); St. Joe Natural Gas (Docket No. 070592-GU); and Peoples Gas System (Docket No. 070688-GU).

[2] Florida City Gas, First Revised Sheet No. 16.

project costs are promptly credited to customers' accounts or customers are given refunds.[3]

8. The AEP also includes a true-up mechanism that takes place at the earlier of (1) the third anniversary of the date when the project facilities are placed in service; or (2) the date on which 80% of the originally forecast load is connected. At the earlier of either date, the tariff contemplates that FCG will reassess the amount of additional revenues necessary to recover the excess cost of the facilities and recalculate the AEP surcharge. The resulting revised AEP surcharge is then applied for the remainder of the Amortization Period. The tariff further contemplates that the Amortization Period can be extended upon approval of the Commission.

II. MINIMUM USAGE REQUIREMENT/ "TAKE OR PAY" COMMITMENT

9. While the AEP has not been frequently utilized by FCG, in recent years it has proven very helpful in facilitating successful projects to extend natural gas service to customers that would otherwise have not been served. Until recently, the projections that have served as the basis for calculating the AEP surcharge have proven reliable and, consequently, recovery of costs has typically been on track for recovery within the Amortization Period with relatively minimal adjustment at the true-up point.

10. Recent experience has, however, demonstrated that adding an additional tool to the AEP toolkit would enhance the reliability of AEP projections, thereby ensuring that subsequent surcharge true-ups do not prove to be a significant challenge for customers. For instance, the recent example of the Glades AEP, in which the

[3] Florida City Gas FPSC Natural Gas Tariff Volume No. 8, First Revised Sheet No. 16 and Original Sheet No. 17.

Company received approval for a variance to allow the Company to defer calculation of the true-up in an effort to mitigate the true-up impact on existing Glades customers, reflects a situation in which the originally projected usage of a customer ultimately did not come to fruition due to unforeseen circumstances.[4] While a minimum "take" commitment likely would not have prevented the issue that gave rise to that request, the situation nonetheless prompted the Company to review its Line Extension and AEP tariff and consider whether tariff modifications could reduce or mitigate future issues around customer usage.

11. The tariff modifications for which the Company now seeks approval would provide the Company with the option to require a customer in an AEP area to commit to receive service at a defined minimum level and to pay for such minimum level of service, even if the customer does not use the defined minimum amount in a given month; i.e. a "take or pay" provision. This option would be available in the event that the Company determines that the cost to serve analysis and the customer's service requirements demonstrate that a minimum service commitment is prudent.

12. The Company's tariff policy governing other main and service line extensions that exceed the MACC is likewise dependent upon projected and actual gas revenues associated with service on the new facilities. Thus, the Company also seeks approval to include this additional "take or pay" option language within the general tariff provisions pertaining to "Extensions of Mains and Services Above Free Limit."

[4] *See*, Order No. PSC-16-0066-PAA-GU, issued February 5, 2016, Docket No. 150232-GU - Petition for approval of variance from area extension program (AEP) tariff to delay true-up and extend amortization period, by Florida City Gas.

13. Similar minimum commitment language has been utilized by other Florida gas utilities in situations where the cost to serve and associated charges to customers are dependent upon the customer's usage. [5]

TARIFF SHEETS

14. The Company submits as Attachment A the required revised tariff sheets (in legislative and clean formats) reflecting the incorporation of additional language providing the Company with the option include a minimum usage commitment.

15. The proposed revisions are in the public interest and will facilitate expansion of service to new customers, while protecting existing ratepayers on the Company's system.

WHEREFORE, Florida City Gas hereby respectfully requests that the Commission approve the proposed modification to the Company's tariffed policies addressing "Extensions of Main and Services Above Free Limit" and "Area Extension Program" as described in this Petition and as set forth in revised Tariff Sheets Nos. 16 and 17 and new Sheet No. 17A, which are attached hereto and incorporated herein as Attachment A.

Respectfully submitted this 2nd day of February, 2017, by:

Beth Keating

Beth Keating, Esquire
Gunster Law Firm
215 South Monroe Street
Suite 601
Tallahassee, FL 32301
Attorneys for Florida City Gas

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[5] See, for instance, Order No. PSC-15-0319-TRF-GU, issued August 10, 2015, in Docket No. 150139-GU, approving modifications to the Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation natural gas vehicle service tariffs to include "take or pay" language; and Order No. PSC-13-0446-PAA-GU, issued October 1, 2013, in Docket No. 130197-GU, approving changes to Peoples Gas System's NGV tariff, including "take or pay" provisions at Tariff Sheet No. 7.401-2.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 2nd day of February, 2017.

Jennifer Crawford Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 jcrawfor@psc.state.fl.us	J.R. Kelly Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.JR@leg.state.fl.us

By: ____________________

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

ATTACHMENT A

(Revised Tariff Sheets Nos 16 and 17, and
New Tariff Sheet No. 17A)

Clean/Legislative-Tracked Changes

RULES AND REGULATIONS (Continued)

11. EXTENSION OF FACILITIES

A. Free Extensions of Mains and Services: The maximum capital investment required 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 Margin Revenues estimated to be derived from the facilities. However, customers initially served under the Residential Standby Generator Service ("RSG") and Commercial Standby Generator Service ("CSG") Rate Schedules shall not be eligible for extension allowances, even if additional load is added at a later date, but such Customers may be eligible to receive refunds of amounts paid to the Company for extensions under B.(2) below.

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 to 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 their 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 their 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 un-refunded portion of the ATC at the end of five (5) years shall be credited to the plant account of the Company.

(5) The Company may require a commitment by a customer to take or pay for a minimum volume of gas as deemed appropriate by the Company given the circumstances of facility cost and/or the service requirements of a particular customer.

C. Area Extension Program Charge: Notwithstanding the provisions of Sections A and B when facilities are to be extended to serve single or 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 (Continued)

11. EXTENSION OF FACILITIES (Continued)

(2) The Company reasonably forecasts Margin Revenues plus the AEP 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 over the remainder of the Amortization Period.

The Company may require a commitment by a customer to take or pay for a minimum volume of gas as deemed appropriate by the Company given the circumstances of facility cost and/or the service requirements of a particular customer.

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 (Continued)

11. EXTENSION OF FACILITIES (Continued)

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 (Continued)

11. EXTENSION OF FACILITIES

A. Free Extensions of Mains and Services: The maximum capital investment required 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 Margin Revenues estimated to be derived from the facilities. However, customers initially served under the Residential Standby Generator Service ("RSG") and Commercial Standby Generator Service ("CSG") Rate Schedules shall not be eligible for extension allowances, even if additional load is added at a later date, but such Customers may be eligible to receive refunds of amounts paid to the Company for extensions under B.(2) below.

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 to 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 their 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 their 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 un-refunded portion of the ATC at the end of five (5) years shall be credited to the plant account of the Company.

(5) The Company may require a commitment by a customer to take or pay for a minimum volume of gas as deemed appropriate by the Company given the circumstances of facility cost and/or the service requirements of a particular customer.

C. Area Extension Program Charge: Notwithstanding the provisions of Sections A and B when facilities are to be extended to serve single or 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

(2) The Company reasonably forecasts Margin Revenues plus the AEP 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.

RULES AND REGULATIONS (Continued)

11. EXTENSION OF FACILITIES (Continued)

(2) The Company reasonably forecasts Margin Revenues plus the AEP 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.

Comment [WU1]: (existing language carry-over)

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.

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The Company may require a commitment by a customer to take or pay for a minimum volume of gas as deemed appropriate by the Company given the circumstances of facility cost and/or the service requirements of a particular customer.

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 (Continued)

11. EXTENSION OF FACILITIES (Continued)

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.

Comment [WU2]: Carry over of existing language from Sheet 17

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.