

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: December 21, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Office of the General Counsel (Gervasi)
Division of Competitive Markets & Enforcement (Beard, Bulecza-Banks)

RE: Docket No. 050877-GU – Joint petition for approval of amendment to territorial agreement in Pasco County by Peoples Gas System and Clearwater Gas System, a department of the City of Clearwater.

AGENDA: 01/05/06 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Arriaga

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\050877.RCM.DOC

Case Background

In 1994, Peoples Gas System (Peoples) initiated a territorial dispute against Clearwater Gas System (Clearwater) because both parties planned to expand their natural gas distribution facilities in Pasco County. The parties ultimately were able to resolve that territorial dispute through a comprehensive agreement defining the service areas of the parties within Pasco County. The Commission approved the Agreement in Order No. PSC-95-0620-AS-GU, issued May 22, 1995, in Docket No. 940660-GU, In re: Petition to Resolve Territorial Dispute with Clearwater Gas System, a Division of the City of Clearwater, by Peoples Gas System, Inc., finding that the 1995 territorial agreement was in the public interest, and that adoption of the

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agreement would further the Commission's longstanding policy of avoiding unnecessary and uneconomic duplication of facilities.

In 2004, Peoples and Clearwater filed a Joint Petition requesting approval of the First Amendment to the 1995 Agreement. In the amendment, both parties agreed to permit Clearwater to provide natural gas service to the developer of Connerton, a 4,800 acre community that was under development, and that neither Peoples nor Clearwater was serving. The Commission approved the Amendment in Order No. PSC-05-0163-PAA-GU, issued February 10, 2005, in Docket No. 041385-GU, In re: Joint Petition for approval of amendment in Pasco County, by Peoples Gas System and Clearwater Gas System, a department of the City of Clearwater, finding that the First Amendment to the 1995 Territorial Agreement was in the public interest.

On November 16, 2005, Peoples and Clearwater filed a Joint Petition requesting approval of a Second Amendment to the 1995 Territorial Agreement (Territorial Agreement), which is attached to this recommendation as Attachment A. The Second Amendment requests that Clearwater be permitted to provide natural gas services to a new development, Lakeshore Ranch, as well as to the surrounding areas shown on the attached map.

The Commission has jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the Joint Petition for approval of the amendment to the territorial agreement in Pasco County filed by Peoples Gas and Clearwater Gas?

Recommendation: Yes. The Commission should approve the joint petition filed by Peoples Gas and Clearwater Gas for approval to amend their existing territorial agreement. The amendment should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket. (Gervasi, Beard, Bulecza-Banks)

Staff Analysis: Natural gas service has been requested by a developer for the proposed Lakeshore Ranch development located in Pasco County. Lakeshore Ranch is located between two existing developments, Serenova Development and Connerton. The existing Connerton development prompted the First Amendment to the Peoples and Clearwater Territorial Agreement. In the First Amendment, the parties agreed to permit Clearwater to provide natural gas service to the developer of Connerton, a 4,800 acre community that was under development, and that neither Peoples nor Clearwater was serving.

With respect to the current development, and those in the surrounding areas, both Peoples and Clearwater find that it is more economical for Clearwater to provide services to Lakeshore Ranch and future developments in this area. As a result, the companies have worked together to develop a Second Amendment to the Territorial Agreement. Under the Second Amendment, Clearwater will be permitted to provide services to Lakeshore Ranch and to surrounding areas as shown on the attached map. Both companies agree that implementation of the Second Amendment (attached) will not cause a decrease in the availability or reliability of natural gas service to existing or future ratepayers of either Peoples or Clearwater.

The Second Amendment meets the requirements set forth in Rule 25-7.0471, Florida Administrative Code, Territorial Agreement for Natural Gas Utilities. Approval of the Second Amendment will permit the parties to continue to avoid uneconomic duplication of facilities, and will permit the party best suited to providing service to the development to provide such service. The Second Amendment will not cause a decrease in the reliability of gas service to existing or future ratepayers of Peoples or Clearwater. Therefore, staff believes the Second Amendment is in the public interest and should be approved. The amendment should become effective upon the expiration of the appeal period following the issuance of the Consummating Order in this docket.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed by a person whose substantial interests are affected within 21 days of the Order approving this amendment, the docket should remain open. (Gervasi)

Staff Analysis: If no protest is filed, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed by a person whose substantial interests are affected within 21 days of the Order approving this amendment, the docket should remain open.