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July 8, 2003

BY HAND DELIVERY

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COMMISSION CLERK

Blanca Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 030462-GU, Indiantown Gas Company's Responses to Staff's First Data Request - ADDITIONAL REVISIONS

Dear Ms. Bayo:

Enclosed for filing, in accordance with the instructions given in Katherine Fleming's letter comprising Staff's First Data Request, are an original and five copies of Indiantown Gas Company's responses to the subject data request. These are replacements for the responses that we submitted yesterday, as supplemented by replacement pages 4 and 6 that we submitted earlier today. Apparently, when I printed replacement pages 4 and 6 in my effort to correct the original printer over-write error, some text was left out (because of the nature of the original printer error). Also, the copies enclosed with this letter include a few minor corrections, e.g., conforming the formatting of requests and responses, consistently capitalizing "Commission" and "Company," and correcting minor punctuation and grammatical errors. There is no substantive difference between the responses included herewith and those submitted yesterday.

As always, my thanks to you and to your professional Staff for their kind and courteous assistance. I truly regret the inconvenience caused by this printing glitch. If you have any questions, please give me a call at (850)681-0311.

Cordially yours,

Robert Scheffel Wright

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Enclosures

copies Wayne R. Makin
Katherine Fleming, Esquire

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

RESPONSE OF INDIANTOWN GAS COMPANY TO STAFF'S FIRST DATA REQUEST, DOCKET NO. 030462-GU

REVISED – JULY 8, 2003

Request #1. Please provide all invoices for expenses listed on Exhibit C.

IGC Response: The requested invoices are attached as Exhibit A to this response. By informal agreement between IGC's counsel and counsel for the Commission Staff, the hourly rates and the number of hours worked information has been redacted from the invoices for services provided by Landers & Parsons in order to protect Landers & Parsons' confidential, proprietary business information.

Request #2. Please provide all invoices for the December, 2002 bookout adjustments listed on Exhibit B.

IGC Response: The requested invoice is attached as Exhibit B to these responses.

Request #3. Please explain the rationale behind the methodology used to allocate the $55,117 of expense among the rate classes shown on Exhibit D.

IGC Response: When the Commission ordered IGC in April 2000 to unbundle its system for all customers except residential, it set into motion a series of events that would move Indiantown from all sales service to all transportation service. Even though no commercial customers originally signed up, IGC knew that it would have to make this conversion when the first customer, regardless of size, signed up. With this in mind, the Company began a dialogue with the new owners of the citrus plant and discovered their interest in transporting on IGC's system. Further dialogue throughout the year indicated that Indiantown Cogeneration, L.P. ("the Cogen") was beginning to explore the advantages of transportation and would likely move in that direction in the future. This meant that IGC would be faced with having to administer a sales program for customers making up less than 2 percent of throughput. Early in 2001, IGC began steps toward creating a transportation program that would work for all customers including residential. Because this program benefits all IGC customers it is reasonable to expect that all customers should pay these costs. Because this is one program (not four separate programs rolled into one) IGC needed to find a way to allocate a portion of the costs to each group in a fair and equitable manner.

Given this context, Exhibit D calculates the total charges for transportation cost recovery and the PGA credits, and then determines an allocation process by customer class. This allocation takes into account that <u>all</u> customer classes are responsible for the costs of initiating the Company's provision of transportation service, even though not all IGC customers were participating in the Company's PGA when the transportation service began. Additionally, the benefits and value of being able to transport gas, or to participate in the aggregated transportation service pool, are proportionate to the volumes of gas consumed, and therefore it is fair, just, reasonable and appropriate to allocate the costs of implementing transportation service on the volumetric basis reflected in Exhibit D.

Request #4. Does the citrus plant hold capacity on the Florida Gas Transmission (FGT) system?

IGC Response: No. The citrus plant uses approximately 1,100 MMBtu/Day November through May. Of this requirement, 800 per day (November through April) is Indiantown Gas capacity that has been temporarily released to the citrus plant. The remaining capacity is provided by the citrus company's fuel provider.

Request #5. Does the citrus plant have electronic monitoring?

IGC Response: Yes. A Metretek AE6000 is installed at that location.

Request #6. If the citrus plant has electronic monitoring, when was the equipment installed and who paid for the equipment?

IGC Response: The unit was installed in 1999 at a cost paid by IGC of $1,576.70 and is capitalized as part of Company rate base. IGC is not seeking nor will it seek to recover telemetry costs as part of this proceeding. In addition to the unit itself, IGC also pays for a phone line at the site so that the unit can be read remotely.

Request #7. Please state what were the actual costs incurred for the transition of the citrus plant to transportation?

IGC Response: IGC is not able to provide a definitive answer to this question, because most, if not all, of the costs associated with implementing the Company's transportation service tariff and program are not directly assignable, as suggested by the Data Request. While the specific tasks and costs of initially transferring the citrus plant to transportation were the regulatory and legal fees, plus IGC personnel time, and the like, associated with releasing capacity and with transferring the citrus plant to the Company's then-available tariff, the Company's overall aggregated transportation service tariff and program serves the citrus plant as well as all other IGC customers. Accordingly, IGC has chosen what it believes is the most fair way to allocate these costs.

Request #8. Please explain, in detail, what actions were required to transition the citrus plant to transportation in August, 2001?

IGC Response: IGC was notified verbally of the sale of the citrus plant to its new owners in April 2001. By July, the Company was informed that the citrus plant desired to transport, as the new owners' existing facility in Winter Garden was already transporting. In order to accommodate the customer, IGC arranged to transport gas under a new tariff just approved by the PSC in Order No. PSC-01-0070-TRF-GU for commercial customers. There was no time to approve a special tariff rate for the citrus plant to transport. While it served the need for transportation at the time, the tariff was inadequate to address the long term needs of the citrus plant. IGC addressed the specific needs of the citrus plant when it created a new tariff as part of its transportation program approved in 2002.

Request #9. Please provide the dollar amount for each action in Data Request No. 6 and identify the associated invoices as provided in response to Data Request No.1

IGC Response: Data Request No. 6 addresses the cost of the electronic monitoring equipment at the citrus plant. As noted above, the initial electronic monitoring unit was installed, at the Company's expense, at a cost of $1,576.70 in 1999. The Company is not seeking to recover the cost of this meter in this proceeding. The invoice for the electronic meter is attached as Exhibit C to these responses.

Request #10. Why is Indiantown proposing to allocate expenses incurred in 2002 and 2003, listed on Exhibit C to the citrus plant?

IGC Response: The short answer is that the citrus plant switching to transportation facilitated the need for the entire system to be open to transportation. The fact that this occurred, coupled with the fact that the Commission required IGC to unbundle its system for commercial customers, put the residential customers at a tremendous price disadvantage. Because they make up less than 2 percent of throughput, the cost of administering even a small sales program would have been cost prohibitive to residential customers. The IGC system due to its small size requires that it be either in the sales or transportation business. To the extent that transportation was ordered by the Commission (down to the commercial level) and desired by our customers IGC decided to open its entire system for transportation. Further, the Commission has set a precedent by approving transition costs across all customer classes, including those whose members were already transporting at the time that broader transportation service became available, for almost every other gas company under Commission jurisdiction in previous cases.

Request #11. Please state the actual costs incurred for the transition of the residential and small commercial customer to transportation.

IGC Response: As indicated in responses to Data Requests No. 3 and No. 12, the costs of IGC's entire transportation program are effectively common to all classes, and accordingly, IGC cannot break out actual costs by customer class segment. IGC can only allocate the costs of the total program in the fairest manner possible.

Request #12. Please explain, in detail, the actions that were required to transition residential and small commercial customers to transportation.

IGC Response: To understand these actions in their real-world context, consider the following brief history of the Company's transportation service program. When required to unbundle by the Commission and requested by the citrus plant to move to transportation service, the Company knew that it would need to begin to move its remaining customers toward transportation also.

Accordingly, the Company developed and implemented its across-the-board program of aggregated transportation service, in which the residential and small commercial customers participate along with the Company's larger commercial and industrial customers.

The actions that were required to implement the aggregated transportation service tariff and program included developing the program, re-writing the tariff, obtaining Commission approval of the program and the tariff, purchasing the computer hardware necessary to implement the program, purchasing and contracting for the installation of the necessary computer software, and arranging to participate in an economically feasible aggregation pool.

With regard to the pool, however, the Company knew it did not have the resources for implementation and could not get a marketer for 681 customers. After some discussion IGC found a willing partner in Central Florida Gas (CFG) who had begun to contemplate a similar strategy. So IGC pooled its 681 customers with the approximately 12,000 customers of CFG into an aggregated pool. This created a tremendous advantage for IGC customers that would not be possible but for this partnership. After agreeing to work together, the companies issued a request for proposals to select a marketer. The companies selected Infinite Energy Incorporated to be the pool supplier. IGC petitioned the Commission and was granted authority to move its remaining sales customers to transportation on November 5, 2002.

Request #13. Please provide the dollar amount for each action in Data Request No. 12 and identify the associated invoices as provided in response to Data Request No.1

IGC Response: As indicated in responses to Data Requests Nos. #3, 11 , and 12 IGC cannot break out actual costs by customer class segment. IGC can only allocate the costs of the total program in the fairest manner possible. The dollar amounts are those shown in Exhibit C to the Company's petition.

Request #14. Please explain why Indiantown is proposing to allocate expenses incurred in 2001 and part of 2002, listed on Exhibit C, to the residential, small commercial customers, and the cogen plant.

IGC Response: Because this program is the first of its kind, IGC and CFG spent a great deal of time thinking through issues such as how the marketer is affected if the customer fails to pay and what happens if the marketer fails to perform. IGC is allocating these costs to all customers because all customers benefit from this program and because the value to customers of being able to participate in the Company's transportation service program is proportional to the volumes of gas consumed.

Request #15. Please explain why Exhibit C shows the total Transition Cost Recovery (TCR) costs as $55,048.52 and Exhibit D shows the 2002 allocated TCR costs as $55,117.00.

IGC Response: The amount of $55,117.00 is the product of the actual TCR costs ($55, 048.52) grossed up for regulatory assessment fees. (Upon reexamination, IGC has realized that an incorrect regulatory assessment fee rate was used in this calculation. The calculation shown was based on the electric public utility rate of 1/8th of one percent; the correct rate for natural gas utilities is one-half of one percent. Indiantown Gas is not proposing to change its requested TCR charges to correct this mistake.)

Request #16. Please explain why Indiantown has proposed to issue credits to the residential customers while issuing checks to its commercial customers.

IGC Response: The cost of issuing checks to each residential customer would more than equal the cost of the refund if required to write checks to all 660 residential customers. This is because the Company would have to enter each customer name and address into its financial software to accomplish this. The cost of data entry plus additional postage would more than equal the $.56 refund to each customer. It is much more cost effective to modify the Company's billing information system to provide credits on customer bills to accomplish this task. On the contrary, it is feasible to enter the customer data in the financial software for each of the 22 commercial customers.

Request #17. Please state when Indiantown released capacity to Peninsula Energy Services Company (PESCO).

IGC Response: IGC released its capacity to PESCO in 1993.

Request #18. Please state what services PESCO provides Indiantown.

IGC Response: IGC has not received services of any kind from PESCO since November 30, 2002. Prior to this time, PESCO provided capacity management services including: scheduling, nominating, balancing, swing gas, and bookout.

Request #19. Who did Indiantown bookout with in December 2002?

IGC Response: IGC does not know who PESCO booked out with in December for November gas imbalances.

Request #20. Please state when Indiantown released capacity to Infinite Energy?

IGC Response: As indicated in response to Data Request #4, IGC released 800 MMBtu/day of its winter capacity to Infinite Energy for the citrus plant in November 2001. IGC released the remainder of its capacity to Infinite on December 1, 2002.

Request #21. Please state what services Infinite Energy provides Indiantown.

IGC Response: Infinite provides similar services to the pool, which includes Indiantown's customers. These services include: scheduling, nominating, balancing, swing gas, and bookout.

Request #22. If Indiantown does not hold any capacity, please explain how it incurred alert day charges listed on Exhibit B?

IGC Response: The fact that Indiantown released the capacity on a temporary basis does not relieve its responsibility for the payment of these charges. IGC customers incurred these charges during the period when the PGA was in place (prior to December 2002) so it is therefore prudent, reasonable, and appropriate to collect these charges through the PGA rather than billing through the Infinite Energy bill as these charges were not presented to IGC until February 2003.