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Public Service Commission

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

DATE: September 28, 2006

TO: ~~Blanca S. Bayó, Commission Clerk and Administrative Services Director~~

FROM: Richard P. Redemann, Professional Engineer III, Division of Economic Regulation *RR*

RE: Docket No. 060492-GU – Petition for approval of firm transportation service agreement between Indiantown Gas Company and Florida Public Utilities Company.

Docket No. 060489-GU – Joint petition for approval of territorial agreement whereby Florida Public Utilities Company would provide service to customers within a development bounded by Indiantown Gas Company, Inc.'s current service area.

Please add to the docket files a letter dated September 22, 2006 from Norman H. Horton, Jr., an attorney at the law firm Messer Caparello & Self, P.A. and a map titled Indiantown Proposed Development.

RR:kb

Attachments

cc: Office of General Counsel (Brubaker, Jaeger)

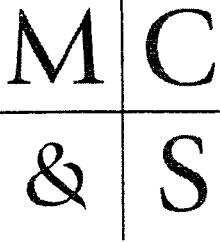
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FPSC-COMMISSION CLERK



MESSER CAPARELLO & SELF, P.A.

Attorneys At Law

[www.lawfla.com](http://www.lawfla.com)

September 22, 2006

**VIA HAND DELIVERY**

Mr. Richard Redemann  
Division of Economic Regulation  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket Nos. 060489-GU and 060492-GU

Dear Richard:

In reply to your letter of September 6, 2006, attached hereto are the responses of Indiantown Gas Company, Inc. and Florida Public Utilities Company to the questions included in that letter. These were also discussed at our meeting last week.

I would also like to make what may seem to be a technical clarification to the questions and that is with respect to the use of the word "transfer." The joint petition seeks approval of a territorial agreement between the parties pursuant to Section 366.04(3), Florida Statutes, and Rule 25-7.0471, Florida Administrative Code. There is no "transfer" as that term is used in other utility regulatory provisions but there is an agreement, pending PSC approval, between two regulated utilities as to which of the two will provide service within a geographic area.

We look forward to approval of this request by the Commission. As we explained, we believe it provides benefits to current and future customers of both companies and is an action that would be in the public interest.

Sincerely yours,

A handwritten signature in cursive script that reads "Norman H. Horton, Jr.".

Norman H. Horton, Jr.

NHH/amb  
Enclosure

cc: Mr. Marc Seagrave  
Mr. Brian Powers  
Mr. Jeff Householder  
Ms. Jennifer Brubaker  
Ms. Patti Daniel

September 22, 2006

**Indiantown Gas Company (IGC) and Florida Public Utilities Company (FPUC)  
Docket No. 060489-GU and Docket No. 060492-GU  
Staff's September 6, 2006 Data Request**

**Staff Data Request No.1:** Has gas service been requested for the area proposed to be transferred? If so, when is the service needed?

IGC and FPUC Response: FPUC has executed a Development Agreement with Showcase Designer Homes, LC, to provide gas service within the area described in the joint territorial petition. The anticipated construction schedule provided by Showcase Homes would require active gas service in January 2007.

**Staff Data Request No. 2:** Please provide the total number of residential and commercial customers and total annual demand anticipated in the proposed area when the area is built out.

IGC and FPUC Response: Showcase Designer Homes plans to construct ninety-seven (97) single-family residences in the area subject to this agreement. The annual gas consumption per residence is estimated to average 230 therms. Total annual therm consumption for the development would equal an estimated 22,310 therms.

**Staff Data Request No. 3:** How long do you anticipate it will take to reach build out of the area?

IGC and FPUC Response: Showcase Designer Homes currently projects a two-year build out.

**Staff Data Request No. 4:** Please provide an analysis showing the expected annual revenue and impact on return on equity of the proposed transfer for Indiantown Gas Company (Indiantown) at the end of five years. At the end of ten years.

IGC Response: The IGC rate design proposed in its Gas Transportation Service Agreement with FPUC includes a Reservation Charge and a Firm Transportation Charge. The IGC Reservation Charge would be calculated by multiplying the Maximum Daily Transportation Quantity of 500 dt by the number of days in a month, the product of which is multiplied by the proposed rate of \$0.04 per dt. The annual revenue produced by the Reservation Charge would equal approximately \$7,300.00. It should be noted that the Reservation Charge is based on an MDTQ that significantly exceeds the transportation quantities required to provide service to the proposed FPUC area included in the Territorial Agreement. The parties do not anticipate adjustment of the Reservation Charge in the event FPUC serves additional development areas by transporting through the IGC distribution system in the future, until such time as the MDTQ may be adjusted. The proposed IGC Firm Transportation Charge is based on the actual gas quantities delivered to the point of interconnect between the IGC and FPUC facilities at or near the development site. The proposed rate is \$0.15 per therm. The proposed variable rate is similar to the Wholesale Sales Service rate in the Peoples Gas System approved tariff. Assuming an annual throughput of 22,310 therms, IGC

annual revenues from this charge would be \$3,346.50. Total annual revenues to IGC would equal \$10,646.50. IGC does not have a projection of the impact on ROE at the end of 5 or 10 years but would believe the impact on its overall annual ROE resulting from this project would be minimal.

**Staff Data Request No. 5:** Please provide an analysis showing the expected annual revenue and impact on return on equity of the proposed transfer for Florida Public Utilities Company (FPUC) at the end of five years. At the end of ten years.

FPUC Response: As noted above, the 97 residences in the development area are projected to consume approximately 22,310 therms per year. FPUC's approved non-fuel base rates for residential customers include an \$8.00 per month Customer Charge and a \$0.4834 per therm Energy Charge. Estimated annual revenues from the projected customers, at build out, would be \$9,312 (Customer Charge) plus \$10,784.54 (Energy Charge) totaling \$20,096.54. FPUC does not have a projection of its ROE at the end of 5 or 10 years but would not anticipate any material impact on their ROE as a result of serving this development project.

**Staff Data Request No. 6:** How close in miles is the proposed transfer area to FPUC's other service areas?

IGC and FPUC Response: The service area is approximately 25 miles from FPUC's existing service area in Palm Beach County.

**Staff Data Request No. 7:** Please describe the similarities and differences in the way FPUC will provide maintenance service in the proposed area compared to its existing service areas.

IGC and FPUC Response: FPUC plans to maintain its distribution facilities in the proposed development area in the same manner and applying the same standards as it uses in its other service areas. At present, FPUC utilizes internal personnel and qualified contractors to perform various system maintenance functions in all its service areas.

**Staff Data Request No. 8:** Please estimate the time in hours that it will take an FPUC service truck to respond to a typical service call.

IGC and FPUC Response: A "typical" non-emergency gas service call initiated by a customer would include Establishment of Service, Change of Account, Reconnection After Disconnection for Non-Pay and Termination of Service. FPUC would respond to the above service requests in accordance with its approved tariff provisions. Customers, and others, may also request that FPUC provide line locations for its distribution facilities. The response times for such line locates are established through FPUC's agreement with the one-call underground utility location service provider. FPUC and IGC have entered into an agreement for emergency response that would enable IGC local personnel to respond to gas leaks, line breaks or other urgent service issues within minutes of receiving a dispatch order from FPUC.

**Staff Data Request No. 9:** Does the legal description in the petition describe Indiantown's remaining territory after the transfer is approved?

IGC and FPUC Response: No. It does not describe the territory as the description will appear in the tariff. However, in paragraph 1 of the territorial agreement, it is clear that the Indiantown service area will be a defined area "except for" the area which is described as "FPUC Service Area." A legal description for Indiantown's service area as it will appear in their tariff after approval will be provided.

**Staff Data Request No. 10:** Please provide an electronic copy in MSWord format of the proposed territory to be transferred.

IGC and FPUC Response: An electronic copy of the requested territory description will be provided by e-mail directly to staff.

**Staff Data Request No. 11:** Please provide a map showing the proposed territory to be transferred with sufficient detail for staff to compare with the legal description of the area described in the petition.

IGC and FPUC Response: The map will be electronically delivered to staff before September 29, 2006.

**Staff Data Request No. 12:** What is the total acreage of the land proposed to be transferred?

IGC and FPUC Response: The service area is approximately 33 acres.

**Staff Data Request No. 13:** What is FPUC's smallest service area today in terms of the number of residential and commercial customers?

IGC and FPUC Response: FPUC provides gas service to approximately 5,500 customers in New Smyrna Beach, Florida.

