Docket No. 090539-GU

INFORMATION REDACTED



MIAMI-DADE COUNTY'S PAGES OF TESTIMONY AND EXHIBITS WITH CONFIDENTIAL

10172 DEC 29 9

FPSC-COMMISSION OF FIGE

DIRECT TESTIMONY OF JOSEPH RUIZ ON BEHALF OF MIAMI-DADE WATER AND SEWER DEPARTMENT

1	Q: ARE YOU AWARE THAT FCG ADVISED COMMISSION STAFF IN ONE OF ITS
2	JANUARY 9, 2009 RESPONSES TO A STAFF INTERROGATORY THAT MIAMI-
3	DADE-BYPASS COSTS WOULD BE CONSIDERABLY HIGHER THAN THE COST
4	YOU HAVE PRESENTED?
5	A: Yes. FCG advised Staff that Miami-Dade cost to bypass the Alexander Orr Water Treatment
6	Plant was to bypass the Hialeah plant was the Hialeah plant was the Black
7	Point plant was Samuel. These cost estimates are excessive and were self-serving at the
8	time they were provided by FCG to Commission Staff as it is clear that in January 2009, FCG
9	and Staff had been discussing whether the contract rates were too low and Staff's
10	encouragement to FCG to negotiate higher rates from Miami-Dade, as reflected in Commission
11	Staff's statement to FCG on January 15, 2009, in Exhibit(BPA-I at page 2.)
12	Q: WHO REQUESTED THE MAY 21, 2009 MEETING WHICH YOU REFERRED TO
13	EARLIER?
14	A: FCG.
15	Q: AT THE MAY 21, 2009 MEETING, WHO DID YOU MEET WITH AND WHAT DID
16	THEY TELL YOU?
17	A: Jack Langer, Greg Hicks, my assistant Vivian Guzman and I met with Melvin Williams,
18	Carolyn Bermudez and Errol West. Mr. Williams said the month to month contract extension
19	that Miami-Dade and FCG had agreed to pending Commission action on the 2008 Agreement
20	could not continue under the contract rates. Mr. Willams also said that in order to obtain PSC
21	approval of the special contract, the rates must cover FCG's cost of providing service to the
22	Water and Sewer Department.
23	Q: DID MR. WILLIAMS IDENTIFY FCG'S COST OF PROVIDING SERVICE TO
24	THE DEPARTMENT?
25	A: Not in my mind. The letter that Mr. Williams gave us included revised rates that reflected an
	·

DIRECT TESTIMONY OF JACK LANGER ON BEHALF OF MIAMI-DADE WATER AND SEWER DEPARTMENT

Α.	No. FCG never gave me or anyone at Miami-Dade any incremental cost study or
	analysis. I only saw the one-page chart showing the cost comparison between 1999
	and 2008 which I have included as Exhibit(JL-9). Also, in response to a staff data
	request, FCG stated these represent average costs, not incremental costs.
Q.	HOW DID FCG ARRIVE AT THE AMOUNTS STATED AS "ACTUAL 2008"
	COST OF SERVICE?
A.	Based on FCG's answers to discovery requests, Miami-Dade recently learned that
	FCG provided this information to PSC Staff on January 9, 2009 in Response to Staff's
-	Second Data Request in Docket No. 080672-GU.
Q.	I SHOW YOU EXHIBIT (JL-10) TITLED "FCG CONFIDENTIAL
	RESPONSE TO COMMISSION STAFF DATA REQUEST IN DOCKET
	080672-GU." IS THIS THE DISCOVERY RESPONSE TO WHICH YOU ARE
	REFERRING?
A.	Yes, this exhibit includes a copy of the January 9, 2009 FCG response to staff's data
	request.
Q.	IS THE INFORMATION IN EXHIBIT (JL-10) CORRECT?
A.	No. For example, FCG states that the estimated cost to by-pass FCG services is
	approximately for the Orr Plant. I do not know where FCG received this
	information from but it is totally inflated and absolutely incorrect. I estimate the
	bypass cost for Orr to be \$650,000. FCG also suggests that the cost to bypass the
	Hialeah Plant is approximately states which is also highly inflated. I estimate
<u> </u>	the bypass cost for the Hialeah Plant to be approximately \$1.2 million. FCG also
	states that it would cost \$ for Miami-Dade to bypass the South Dade Plant.
	Again, I believe this amount is wrong. FCG never stated the basis for these amounts
	and FCG did not share the information with Miami-Dade for verification or even for
	A. Q.

DIRECT TESTIMONY OF JACK LANGER ON BEHALF OF MIAMI-DADE WATER AND SEWER DEPARTMENT

1 SERVE THE COUNTY? 2 A. Yes. For the Orr Plant, FCG owns a 4-inch gas line that is about 6000 feet in length 3 from the point it receives the County's gas at FGT's gate station to the meter 4 locations serving the Orr Plant. 5 Q. PLEASE PROVIDE THE COMMISSION WITH THE LENGTH AND 6 INVESTMENT IN THE INCREMENTAL PIPE SERVING MIAMI-DADE. 7 A. Yes. The original pipe to the Orr Plant was about 3700 feet and was installed by 8 Miller Gas pursuant to the 1986 Miller Gas Agreement with Miami-Dade, which I 9 have identified as Exhibit (JL-1), earlier in my testimony. The cost to install the 10 original 3,700 feet of pipe was between \$110,000 and \$130,000. This equates to approximately \$35.13 per foot which is in line with 1986 pricing for this size gas line. 11 12 The entire gas line is dedicated to serving only the County's Orr Plant. FCG suggests 13 that it has invested \$ in this line which appears excessive. I also recently 14 learned that on February 27, 2009, one residential customer was connected to that gas 15 line. The consumption for the residence is approximately 10-15 therms per month 16 and by comparison has no real effect on Miami-Dade or FCG since the consumption 17 at Orr is approximately 350,000 therms per month. 18 The pipe to the Hialeah-Preston Plant from the FCG system is very short -19 approximately 200 feet from FCG's distribution system to the Hialeah Plant. I 20 estimate that the capital cost of the Hialeah pipe was approximately \$25,000, 21 dramatically less than the \$ which FCG claims as its investment in the pipe in 22 FCG's response to a Commission Staff inquiry. The pipe to the South Dade 23 Wastewater Treatment Plant cost \$300,000 and was paid in full by Miami-Dade in "Aid of Construction" pursuant to the 1998 Agreement. Therefore, FCG has no 24 25 capital investment in the pipe unless a portion was replaced without the knowledge of

Docket No. 090539-GU FCG Confidential Response to Comm. Staff Data Request in Docket 080672-GU Exhibit JL-10, page 1 of 3

Responses to FPSC Staff Second Data Request Docket No. 080672-GU January 9, 2009

Privileged and Confidential

Responses to Question 4

COMPONING Q. What percentage of FCG total load does the Miami/Dade load subject to this contract represent?

O: What is the potential new load associated with the six EMD engines?

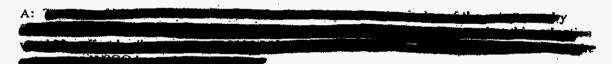
O: What would it cost Miami/Dade to bypass FCG and connect directly to FGT?

A: FCG does not have this information.

Q: What is the dollar amount that of fixed costs would be collected from the other ratepayers if Miami/Dade did bypass FCG?



Q: Wouldn't the loss of Miami/Dade reduce costs to the remainder of the ratepayers by the amount currently collected through the CRA?



Attachment 1

Q: How were the numbers in column 2 derived?



Q: Does the lost column represent the system average cost or the average cost to serve commercial industrial customers similar to Miami/Dade?

DOCKET NO. 090539-GU FCG'S CONFIDENTIAL RESPONSE TO MIAMI-DADE COUNTY'S FIRST POD, ITEM NO. 2 PAGE 11 OF 40

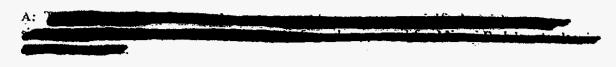
DECEMBER OF PRODUCTS

10330 JAN 132 / 1946

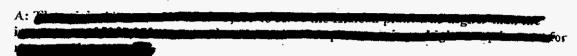
DOCKET NO. 090539-GÜ FCG Confidential Response to Comm. Staff Data Request in Docket 080672-GU Exhibit JL-10, page 2 of 3

Responses to FPSC Staff Second Data Request FCG'S CONFIDENTIAL RESPONSE TO MIAMI-DADE Docket No. 080672-GU January 9, 2009

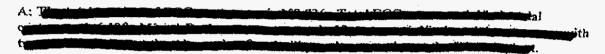
COUNTY'S FIRST POD, ITEM NO. 2 PAGE 12 OF 40



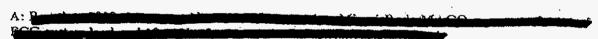
O: Why is the cost for the Alexander Orr plant less (on a percentage basis of the 'surveillance report' number) than the Hialeah plant?



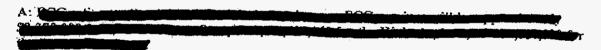
Q: Provide FCG's total customer count and number of commercial/industrial customers.



Q: Of total FCG commercial/industrial customer load, what percentage does Miami-Dade represent?



Q: Provide FCG's estimate of Miami-Dade's cost to bypass FCG services.



171 ! Timer \$

····NIFIDENTIAL	Per 1939 Rate Design	Per Nov 08 Survelliance Report			months expenses		Customer Cost Allos Factor	Total	Estimated for illog fares	080672-GU
Mismi Dade Water and Sawer Water Plant - Alexander Orr	Design	периц								TOTAL A M
Perecialism	Total	Total								CONFIDENTIAL
∩1! (Expenses	\$3,500	\$67,871		•						
Cim-ecupor	\$11,230	\$45,503	(1				بنيص		•
Three Other Than Income	\$10,302	\$12,094	'	1		"				
^ 114 Tax @ 5 5%	\$2.943	\$2,535			-	"				
#00 PS @ 34 DO%	\$15.674	\$14,367	1.			"		التديب		
· Sub-iola	\$43,649	\$162,171							j	
Programed Return on Investment ** (Rale base x ROR)	\$30,399	\$28,502	<u>ا</u> ا				*******	170.20	Yhe madal i	
Lost Incremental Cost of Service	\$74,048	\$190,672	i	}		1				•
Estimated Annual Volume (therms)	4,243,010	3,500,000	٥					لبون		
Incremental Cost Rola	30 01743	30 0544	В							
	1	Ī	-	+		+-	 		- <u></u>	
Missni Dade Weter and Sewer Water Plant - Halesh Water Plant Cost of Service and Rate Design	and Black Point				•	-			C	OOCKET NO. 090539-QU
Description	Total	IsloT		}					F	CG'S CONFIDENTIAL RESPONSE TO MIAMI-DADI
USW Expenses	\$6,500	\$87,67	1	1	-	١.		وتعريه	M C	COUNTY'S FIRST POD, ITEM NO. 2 AGE 36 OF 40
Neprociation	\$24,154	\$45,50	25	1		8 '			*	
1 pros Other Then income	\$10,841	812.09	14	•		₹ .			•	
Spire Tax @ 5 5%	\$8,33	1 .\$2,5	35	1		2			*	
redeal Tex @ 34 00%	\$33,72	514,36	37				سيم ٠	بالتويية	3	7
გ ატ-(ი	IBL 561.37	o \$162,13	71				3			
11 runed Return on Investment *** (Rate base x ROR)	\$65,40	9 \$51,3:	26	Ì		₽ `		- tr4 7	16. Yh	
two Incremental Cost of Service	\$146,77	9 5223.4	97				Simon		ROL	
1 Invaled Annual Volume (sharms)	3,159,44	2,400,0	00						المسابر يبدنه	
Incompital Cost Rate	\$0.0464	16 30 093	12				No. of Lot, Lot, Lot, Lot, Lot, Lot, Lot, Lot,) a
- · · · · · · · · · · · · · · · · · · ·	1				l					

[&]quot;Trinned Rate of Rolum

7 36% 7 85%

IV-ventibe: 2008-12 months expenses using the Surveillance Report calculations (See attached document) i rigorad Costomer Cost allocation faciors from order PSC-04-0128-PAA-GU dated 2/3/04 pg 95 and rate of return from order PSC-04-0128-PAA-GU dated 2/3/04 pg 94

DOCUMENT NUMBER DATE

00712 JAN 288

FPSC-COMMISSION CLERK

Docket No. 090539-GU
FCG Confidential Response to Comm.
Staff Data Request in Docket 080672-GU
Exhibit JL-10, page 3 of 3

FLORIDA CITY GAS Cost To Provide Gas Transportation Service

To

		Total		Miami-Dade		
Line	Description	FCG	Ort	Hialeah	Total	Source & Reference For Cols (c) & (d)
No		System [1]	Plant	Plant	Miami-Dade	
	(a)	(b)	(c)	(d)	(e)	(f)
1 (Original Cost Investment	\$275,366,528				Company response to M/D data request
2 ,	Accumulated Provision for Depreciation	-125,575,705	-176,598	-379,983	-556,581	Allocated on Gross Plant
3 1	Net Plant	\$149,790,823	\$210,652	\$453,256	\$663,908	
4 1	Rate Base	\$157,842,235	\$221,975	\$477,619	\$699,594	Allocated on Gross Plant
5	O&M Other Than Cost of Gas	\$20,968,691	\$29,488	\$63,450	\$92,938	Allocated on Gross Plant
6 A	Annual Depreciation Expense	\$18,681,208	\$26,272	\$56,528	\$82,799	Allocated on Gross Plant
7	Taxes Other Than Income Taxes	\$2,568,721	\$3,612	\$7,773	\$11,385	Allocated on Gross Plant
	Return on Rate Base @ 5.06%		\$11,232	\$24,168	\$35,399	Line 4 x 5.06%
	State Taxes @ 5.50%		\$618	\$1,329		Line 8 x 5.50%
10	Federal Taxes @ 34.00%		\$3,609	\$7,765	\$11,374	Ln 8 - Ln 9 x 34.00%
11	Total Annual Direct Costs		\$74,831	\$161,012	\$235,843	Sum of lines 6 through 10
12	Variable Costs		\$29,488	\$63,450	\$92,938	Line 5.
13	Annual Transportation Volumes - Therms		3,800,000	3,300,000		3 Year Average Deliveries
14	True Incremental Rates - \$/Therm [2]		\$0.0078	\$0.0192		Line 12 / Line 13
15	Direct Cost Rates - \$/Therm [3]	1 -	\$0.0197	\$0.0488		Line 11/ line 13

Footnotes:

- [1] "FPSC Adjusted" values from the Company's "Earnings Surveillance Report for the quarter ended June 2010.
- The rate for the recovery of the Company's true incremental or variable costs (Incremental Rates). [2]
- The rate for the recovery of all costs associated with the Company's dedicated Investment for service to Miami-Dade, [3]

Financia Engineering Silvanagement Consultants	Client No	8700	LIEU Name Language Da PMlam Dade Coate	Docket No	090539-GU	TPage 18 18 18 18 18 18 18 18 18 18 18 18 18
Financial Engineering & Management Consultants	Project No	8701	THE REPORT OF THE PROPERTY OF			Parties and a continue of the state of the s

DIRECT TESTIMONY OF BRIAN P. ARMSTRONG

l	Q.	DO YOU BELIEVE THESE FACTS ALSO SHOULD BE CONSIDERED
2		IN LIGHT OF THE COMPETITIVE RATE ADJUSTMENT
3		MECHANISM WHICH FCG HAS APPLIED TO THE 2008
4		AGREEMENT?
5	A.	Yes. These inflated costs of service numbers suggest that the \$110,000 or so of
6		annual revenue received by FCG from Miami-Dade under the 2008 Agreement
7		rates, which have not changed from the 1998 Agreement rates, is \$304,000
8		below FCG's alleged \$414,000 cost of service. Yet, in FCG's response to
9		Commission Staff interrogatory 4 dated December 30, 2008, FCG states that it
10		recouped from FCG's other customers under the CRA mechanism in
11		2008, or about Section more than FCG's alleged cost of serving Miami-Dade.
12		When added to the \$110,000 collected from Miami-Dade under the 1998
13		Agreement rates, FCG has collected more than \$ in one year for
14		providing Miami-Dade access to two miles of its pipe. This is more than twice
15		the highest cost of providing such service alleged by FCG to date and perhaps
16		seven times higher than Miami-Dade witness Saffer's cost of service calculation.
17		This is highly inequitable for FCG's customers and an unjustified windfall to
18		FCG.
19	Q.	SHOULD THE FACT THAT FCG HAS BEEN RECOVERING LARGE
20		SUMS FROM ITS OTHER CUSTOMERS FOR YEARS UNDER THE
21		COMPETITIVE RATE ADJUSTMENT MECHANISM BE
22		CONSIDERED BY THE COMMISSION IN THIS PROCEEDING?
23	A.	Yes. FCG admits that it has been recovering as much as \$ through the
24		Competitive Rate Adjustment or "CRA" mechanism as it has been applied to the
25		1998 Agreement. Apparently, FCG has been recovering this revenue on the

DIRECT TESTIMONY OF BRIAN P. ARMSTRONG

I		to serve Miami-Dade's Hialeah plant as \$ and the original cost to serve
2	·	Miami-Dade's Alexander Orr plant as \$ Miami-Dade witness Langer
3		calls the accuracy of these alleged amounts of FCG investment in the
4		incremental facilities serving Miami-Dade into question. FCG has not produced
5		for Miami-Dade any copies of continuing property records, bills, construction
6		contracts, contributed property records, cash or in kind, or any other documents
7		to substantiate these figures, nor to establish their depreciated book value.
8		FCG should be required to produce these documents to substantiate these
9		alleged investments before they are included by this Commission in the
10		calculation of FCG's incremental cost to serve Miami-Dade.
11	Q.	HAS FCG PROVIDED MIAMI-DADE THE INFORMATION
12		NECESSARY TO DETERMINE THE NET PLANT IN SERVICE VALUE
13		OF FCG FACILITIES NECESSARY TO SERVE MIAMI-DADE?
14	A.	No. FCG has informed Miami-Dade in response to interrogatory number 18
15		that FCG
16		"does not depreciate individual assets, but rather assets are
17	<u> </u>	depreciated as a class based upon additions and removals
18		from service. Since individual assets are not individually
19		depreciated, it is not possible to state whether the pipelines
20		to the three Miami-Dade plants have been fully depreciated
21		or not."
22		FCG's assertion that it is "not possible" to determine the depreciated value of the
23		incremental pipes serving Miami-Dade is not true. While FCG failed to identify
24		the original cost of such pipes when Miami-Dade asked for such information in
25		interrogatory number 21, FCG did provide its alleged original cost information

<u>VG</u>

		DIRECT TESTEMONY OF BRIAN P. ARMSTRONG
1	Q.	MIAMI-DADE'S INTERROGATORY NUMBER 6 TO FCG ASKED FCG
2		TO "DESCRIBE OR EXPLAIN THE DUE DILIGENCE FCG AND AGL
3	! }	[RESOURCES] PERFORMED IN DETERMINING THE CONTRACT
4		RATES IN THE 2008 AGREEMENT." CAN YOU ADVISE THE
5		COMMISSION AS TO FCG/AGL'S RESPONSE AND HOW SUCH
6		RESPONSE IS RELEVANT IN THIS PROCEEDING?
7.	A.	Yes. A copy of FCG/AGL's response to Miami-Dade's interrogatory 6 is
8		provided in Exhibit (BPA-3) under cover page titled, "FCG/AGL Response
9	<u> </u> 	Concerning Due Diligence Performed Prior To Signing 2008 Agreement." In
.10		pertinent part, FCG's response is as follows:
11 -		"The contract executed in 2008 extended the overall terms
12		and conditions of service from the original contract, subject
13		to the review and approval of the PSC prior to becoming
14		effective. At the time, no further analysis on the impact on
15		the general body of ratepayers was deemed necessary as the
16		contract impact through the CRA had been reviewed and
17		approved annually by the PSC."
18		I am truly surprised by this response. Based upon my 25 years of experience

10

- 16

17

19

20

21

22

23

24

25

years of experience advising and managing both public and private utilities, it is inconceivable that FCG would exercise such nonchalance in entering a long-term gas transportation agreement with its largest natural gas transportation customer. Please recall that at the time the 2008 Agreement was being negotiated, FCG was aware that it was recovering more that \$ from other FCG customers through the Competitive Rate Adjustment or "CRA" associated directly with the 2008 Agreement. FCG surely had an obligation to perform thorough due