Eric Fryson

From: Keating, Beth [BKeating@gunster.com]
Sent: Tuesday, June 12, 2012 10:18 AM
To: Filings@psc.state.fl.us
Cc: Martha Brown; 'Martin, Cheryl'
Subject: Docket No. 120036-Gu
Attachments: 20120612101147191.pdf

Attached for electronic filing in the referenced Docket, please find Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation's responses to Staff's Third Set of Data Requests in the referenced Docket.

a. Person responsible for this electronic filing:

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b. Docket No. 120036-GU - Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

c. On behalf of: Florida Public Utilities Company

d. There are a total pages: 6

e. Description: Responses to Third Set of Data Requests

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June 12, 2012

VIA ELECTRONIC FILING

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

Re: Docket No. 120036-GU - Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Cole:

Attached for filing in the referenced docket, please find Florida Public Utilities Company's and the Florida Division of Chesapeake Utilities Corporation's responses to Staff's Third Data Requests.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating

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MEK

FLORIDA PUBLIC UTILITIES COMPANY AND THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION RESPONSES TO STAFF'S THIRD DATA REQUEST

Re: Docket No. 120036-GU - Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

1. Referring to Paragraph 1 of the Joint Petition, please explain the meaning of the following statement, "the structures of the proposed programs, inclusive of the methodology used to calculated (sic) the surcharges, are identical and are based upon the same data previously used in FPUC last rate proceeding." Please provide supporting documentation.

The GRIP for both Florida Public Utilities Company (FPUC) and the Florida Division of Chesapeake Utilities Corporation (Chesapeake) were developed using the same methodology in terms of recovery mechanisms, the same basis for determining the investment per unit estimate, the same basis for determining the remaining number of services and miles of mains to be replaced, and the identical total period of time for a replacement plan.

The Company utilized the bare steel replacement investment per unit estimates reviewed and approved in the most recent Florida Public Utilities Company's rate proceeding for its natural gas utility, Docket No. 080366-GU as the basis for the per unit cost estimate for the qualifying investments for both Companies in the GRIP filing. The current FPUC bare steel program was reviewed by the Florida Public Service Commission (FPSC) staff with respect to remaining qualified investment cost estimates, the per unit cost estimates and remaining bare steel units to be replaced over the program.

See Attachment 1 for supporting documents from the most recent FPUC rate proceeding which supports per unit investment estimates and total investment cost estimates, as well as other pertinent data. This Attachment contains portions of the rate case Order No. PCS-09-0375-PAA-GU, detailing what was approved in the rate proceeding for bare steel recovery, as well as sections of the original testimony and exhibits filed in that proceeding supporting the bare steel amortization and investment estimates.

The Company believes that the most recent FPUC rate proceeding is a reasonable basis for determining the remaining estimate of qualified investment per mile and per service for <u>both</u> Companies for the first surcharge computation, since both Companies will utilize many of the same vendors, and suppliers for the replacement of qualified facilities.

See Attachment B, filed with the original GRIP petition, for the 2010 DOT reports that support the estimates for the remaining number of mains and services to be replaced as of June 30, 2011 for both Companies. At the time of the GRIP petition, this was the best estimate for the remaining number of services, and miles of main to be replaced for both Companies.

2. Referring to paragraph 1 of the Joint Petition, please specify by type the total costs that the Companies were approved to recover for the replacement through surcharges in their last rate proceeding, if applicable.

See Attachment 1 for details supporting the total cost that FPUC was approved to recover through the bare steel amortization currently embedded in base rates. Chesapeake does not have a Commission-approved replacement program and, accordingly, current base rates do not provide for recovery of the proposed Chesapeake replacement program in the GRIP filing.

FPUC requested recovery of a total remaining cost of $37,386,365 over 60 years at $623,106 per year. This was broken down between mains and services. Total remaining cost for mains was $27,939,030 and for services was $9,447,335. The amortization period approved in the last rate proceeding was reduced by the FPSC to 50 years. The total costs were approved as filed. The annual amount to be recovered over 50 years was $747,727. This is an annual bare steel amortization expense increase of $124,621 over the amount originally requested in the MFR filing and testimony.

3. Referring to paragraph 9 of the Petition, which states that the Companies will prioritize replacements in areas that are more susceptible to corrosion or in more densely populated areas; and Appendix D, Section 3, Table 8-3: Corrosion Action Plans; does either of the Companies Plans show the order or prioritization for the replacements? If so, please provide a copy of the Plans, identify the estimated completion date for each location, and provide a breakdown of the estimated costs that the Companies seek to recover through the Gas Reliability Infrastructure Programs (GRIP) and associated recovery mechanism.

The Company is now in the process of developing specific plans (and an RFP) for the prioritization and order of replacements of its qualifying facilities, but these plans are not yet finalized. Therefore, the information requested (estimated completion date for each location and estimated costs) is not yet available. The Company will provide the standard notice of construction to the Commission, in accordance with Commission Rule 25-12.082. However, the estimated costs that the Companies seek to recover through the GRIP program are provided on Attachment D, E, G and H filed in response to the Staff's first data request in this Docket. See Schedules A and B on those same Attachments for a breakdown of the estimated costs by Company.

4. Referring to paragraph 11 of the Joint Petition, what are the Companies' estimated revenue requirements for the GRIP? Please provide information that shows the annual investment, total annual expenses, i.e., customer and general public notification costs, and estimated ad valorem taxes and grossed up for federal and state income taxes, etc., that the companies seek to recover through the GRIP recovery mechanisms.

See Schedules B in Attachments D, E, G and H filed in response to the Staff's first data request in this Docket. These attachments include the estimated revenue requirement, annual investment, total annual expenses including customer and general public notification costs, ad valorem taxes and amounts grossed up for income taxes by Company and year.

5. Referring to paragraph 13 of the Joint Petition, please identify the number of subcontractors the Companies expect to hire to do the bare steel replacement and provide the total estimated annual costs, if any, the Companies expect to incur.

At this time the Companies do not have an estimate for the number of subcontractors expected to be hired over the ten year period nor the estimated annual costs related specifically to the subcontractors. The Company is currently preparing RFPs to subcontractors for GRIP related work. Depending on availability of resources, costs, and other pertinent factors, the number and costs of subcontractors will be determined during the RFP review process. The estimated annual subcontractor costs would be capitalized and be part of the qualifying investment cost basis.

<u>For FPUC</u>

6. Referring to paragraph 14 and 15 of the Joint Petition and Attachment D, Schedule A FPUC), please confirm the following statement, "This amount of estimated total cost remains the Company's estimate (less actual replacement costs from the prior rate case to the implementation of the Program, if approved), for replacement of FPUC's qualified distribution mains and services". In your response please confirm that based upon FPUC's updated review of the remaining eligible infrastructure and its updated replacement plan that has been developed with an accelerated period of 10 years, instead of the 50 years approved in FPUC's 2008 rate proceeding, that FPUC's total estimate of $37,386,365 ($31,732,602 as of June 30, 2012) is the same for the 10-year period as it was for the 50 year period. If our understanding is incorrect, please explain why.

The total estimate of $37,386,365 approved in FPUC's 2008 rate proceeding is the same basis for the ten year period; however, some of the investment in the fifty year program has already been made and the remaining total amount to be invested in the ten year program would not equal the fifty year program. The per unit amounts are the same as the initial program, but there is less quantity to be replaced over the ten year period than the initial fifty year period.

The total estimated remaining qualified investment for FPUC is $31,732,602 over ten years.

The basis for determining the total estimated remaining qualified replacement investment has two components. The quantity of items to be replaced and the per unit cost estimate are the two components that determine the total estimated qualified investment amount for FPUC.

The first component is the quantity or the miles of mains and number of services to be replaced. This was determined using the 2010 DOT report for FPUC, filed as Attachment B with the original GRIP filing. The remaining miles and number of services from this report was used as the estimate for the remaining quantity as of June 30, 2012.

The second component is the per unit cost estimate of the remaining qualified replacement investment. This was determined using the most recent FPUC rate proceeding. Supporting documents from the rate proceeding were filed in response to this data request as Attachment 1. The bare steel per mile of main and per service amounts approved in the most recent FPUC rate proceeding was used to value the remaining quantity for FPUC as of June 30, 2012.

<u>For Chesapeake</u>

7. Referring to paragraph 19 and 20 of the Joint Petition, please confirm that Chesapeake presently does not have any formalized replacement plan, or any recovery amount embedded in its base rates, and that Chesapeake has utilized the same per unit costs for its eligible replacement mains and services as FPUC. If our understanding is incorrect, please explain why.

   Chesapeake does not have any formalized replacement plan or any recovery amount embedded in its base rates.

   The per unit cost for eligible replacement mains and services is the same as FPUC. See Attachment 1 filed in response to this data request. This Attachment supports the basis for the per unit cost estimates used in the GRIP surcharge computation.

   A true up mechanism embedded in the GRIP surcharge process provides for a correction of estimated to actual investment and expense amounts as well as quantity. Any variance from original estimates will be trued up in the following surcharge filing.

8. Referring to Attachment E, Schedule A (CHPK), please confirm that Chesapeake's total estimated remaining qualified replacement investment as of June 30, 2012 is \$19,994,036, and the estimated annual qualified replacement investment beginning July 1, 2012 for 10 years is \$1,999,404 annually.

   The total estimated remaining qualified investment for Chesapeake is \$19,994,036 over ten years at a straight line rate of \$1,994,404 annually.

   The basis for determining the total estimated remaining qualified replacement investment has two components. The quantity of items to be replaced and the per unit cost estimate are the two components that determine the total estimated qualified investment amount for Chesapeake.

The first component is the quantity or the miles of mains and number of services to be replaced. This was determined using the 2010 DOT report for Chesapeake, filed as Attachment B with the original GRIP filing. The remaining miles and number of services from this report was used as the estimate for the remaining quantity as of June 30, 2012.

The second component is the per unit cost estimate of the remaining qualified replacement investment. This was determined using the most recent FPUC rate proceeding. Supporting documents from the rate proceeding were filed in response to this data request as Attachment 1. The bare steel per mile of main and per service amounts approved in the most recent FPUC rate proceeding was used to value the remaining quantity for Chesapeake as of June 30, 2012.