COMMISSIONERS:
RONALD A. BRISÉ, CHAIRMAN
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

STATE OF FLORIDA

OFFICE OF THE GENERAL COUNSEL
S. CURTIS KISER
GENERAL COUNSEL
(850)413-6199

Public Service Commission

June 21, 2012

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, FL 32301-1839

STAFF'S FOURTH 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.

Dear Ms. Keating:

By this letter, the Commission staff requests that Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation (FPUC/Chesapeake or company) provide responses to the following data requests.

1. <u>Cost and Rate Impacts.</u> Refer to the Joint Petition, Attachment D, Schedule B, Page 1 of 2. Why does FPUC's GRIP revenue requirements schedule show a negative annual revenue requirement (-$314,619) for Year 1 of the proposed ten year pipeline replacement program, net of bare steel replacement costs included in base rates, despite the fact that the proposed bare steel replacement program in Year 1 is significantly more investment intensive than the replacement program currently included in base rates?

2. <u>Administrative Plan.</u> Refer to FPUC's response to Staff's 1st Data Request, Item 33.

   A. Does FPUC propose to file a petition for a GRIP Surcharge rate adjustment tariff for the future two year surcharge period referenced in the response on March 31, 2014?

   B. Is the future two year surcharge period inclusive of:
   Actual True-up – July 1, 2012 through December 31, 2013
   Estimated True-up – January 1, 2014 through June 30, 2014
   Projection - July 1, 2014 through June, 2016?
   If this is not correct, please explain.

   C. What is FPUC's and Chesapeake's experience in projecting therm usage by customer class for forecast periods of greater than two years?

3. Administrative Plan and Rate Impacts. Refer to Staff's 1st Set of Data Requests, No. 31.

   A. Why is FPUC and Chesapeake seeking GRIP rate adjustment every two years rather than annually as is the case with the PGA and the ECCR clause adjustments and other periodic rate adjustments?

   B. Would FPUC object to a GRIP surcharge mechanism, subsequent to an initial recovery period extending through 2013, with true up periods and projection periods as described below for a filing due August 1, 2013, and an effective date of January 1, 2014? If so, why?
      January 1, 2012 to December 31, 2012 – Actual Cost True-up
      January 1, 2013-to December 31, 2013 – Estimated Cost True-up (6 months actual, 6 months estimated)
      January 1, 2014 to December 31, 2014 – Cost Projection

   C. How does FPUC propose the Commission establish first year rates for FPUC GRIP in the event the Commission determines to approve a one year projection period, rather than the FPUC's proposed two year projection period, without introducing rate volatility (first lowering rates in Year 1 (see Item 1 above), then increasing rates thereafter)?

4. Safety. Refer to FPUC's response to Staff's 1st Set of Data Requests, Item 2 for the following items (4A through 4D).

   A. Why did Chesapeake's Polk Division corrosion-related mains leaks decline from 62 leaks in 2002 to 4 leaks in 2011? Assuming the proposed GRIP is not approved, does Chesapeake believe this trend will continue?

   B. Why did Chesapeake's Polk Division corrosion-related service leaks decrease from 27 in 2002 to 3 in 2011? Assuming the proposed GRIP is not approved, does Chesapeake believe this trend will continue?

   C. Why did FPUC's corrosion-related mains leaks increase from 46 leaks in 2003 to 72 leaks in 2011? Assuming the proposed GRIP is not approved, does FPUC believe this trend will continue?

   D. Why did FPUC's number of corrosion service leaks increase from 181 leaks in 2003 to 299 leaks in 2011? Assuming the proposed GRIP is not approved, does FPUC believe this trend will continue?

5. Rate Impact. Refer to the Petition, Attachment B, GRIP CHPK (CFG) "Annual Report for Calendar Year 2010 Gas Distribution System."

   A. FPUC DeBary Division's bare steel pipeline, including both unprotected and cathodically protected mains, comprises only 2.25 percent of its mains (13 miles / 577 miles), but FPUC South Florida Division's bare steel pipeline, including both unprotected and cathodically protected mains, comprises 17.24 percent of its mains

(185 miles / 1,073 miles). Would the proposed FPUC GRIP surcharges require DeBary customers to subsidize the pipeline replacement costs incurred for pipeline serving South Florida customers? If so, why is this appropriate?

B. What are the miles of bare steel pipeline mains, including both unprotected and cathodically protected mains, and system total miles of mains for each of the Chesapeake divisions (Polk, Osceola, and Hillsborough)?

C. What are the number of bare steel pipeline services, including both unprotected and cathodically protected services, and system total number of services for each of the Chesapeake divisions (Polk, Osceola, and Hillsborough)?

6. Cost and Rate Impacts. Refer to Staff's 2nd Data Request, Items Nos. 1 and 2, and FPUC's responses to those items, and FPUC's response to Staff's 1st Data Request, Attachments G, H, and I.

A. For FPUC and Chesapeake, please provide Attachments G, H, and I (revised) based on:

(1) The 2009 through 2011 average installation cost per mile for mains identified in Staff's 2nd Data Request, No. 1 ($174,258), and

(2) The 2009 through 2011 average installation cost per unit for services identified in Staff's 2nd Data Request, No. 2 ($1,556/unit).

B. Please explain why FPUC's pipeline replacement costs identified in FPUC's 2008 rate proceeding are the best estimate to use for the proposed GRIP surcharge rather than the actual 2009-2011 average pipeline replacement costs identified in Staff's 2nd Data Request, Items 1 and 2.

7. Rate Impacts. Refer to FPUC's response to Item 4A above and FPUC's response to Staff's 1st Data Request, No. 28. Assuming the costs and rates in FPUC's response to Item 4A above, does the Company believe that a 10 year plan would still not be burdensome to customers in the out years of the plan period (2020-2022)? Why? 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.

8. Safety, Cost, and Rate Impacts. Refer to FPUC's response to Staff's 1st Data Request, Item No. 28.

A. Based on FPUC's and Chesapeake's cast iron and bare steel pipeline age, leak history, soil conditions, priority pipeline replacement, and other pertinent criteria, what additional level of safety is expected to be achieved by using a 10 year GRIP as opposed to a 15, 20 , or 25 year GRIP? Why?

B. Based on FPUC's and Chesapeake's current and projected pipeline replacement costs, what reduction in cost is expected to be incurred by using a 15, 20, and 25 year GRIP as opposed to a 10 year GRIP? Please explain how your answer was quantified.

C. Please provide the referenced commodity costs forecast for the period 2012 through 2022 and identify its source and date.

D. What is the basis for the conclusion that the current forecast of commodity costs during the plan period reveals historically low costs?

9. Rate Design. Refer to the May 2011 AGA "Rate Round-Up" Report referenced on page 4 of the Joint Petition. This report, at Page 2 and 3, discusses four rate design options used in various states to recover expedited replacement of utility infrastructure investment. What are FPUC's and Chesapeake's reasons for using the "Surcharge to Rates" option for its proposed GRIP rather than any of the other three options: "Tracker", "Deferral Account", and "Alternative Rate Design Method: Rate Stabilization?"

10. Cost Offsets. Once any new pipes are in operation, do FPUC and Chesapeake expect to incur higher, lower, or the same O&M expenses associated with the new pipes, when compared to the cast iron/bare steel pipes? If the O&M expenses are projected to be different with the new pipes, please quantify any cost differences and explain how that will be reflected (i.e., next rate case).

11. Reliability Refer to the Joint Petition, Page 6. The petition states the primary goal of accelerating the replacement of bare steel pipeline is to proactively respond to public concerns regarding aging infrastructure's reliability and safety.

A. What are the reliability issues FPUC and Chesapeake are proposing to address with the proposed Gas Reliability Infrastructure Program?

B. To date, how have FPUC and Chesapeake assessed the reliability issues they are proposing to address through the proposed Gas Reliability Infrastructure Program?

C. How do FPUC and Chesapeake plan to assess the effectiveness of the proposed Gas Reliability Infrastructure Program to improve reliability if the program is approved and implemented?

12. Cost Recovery. Please list/describe the types of equipment, and the associated accounts to which these items would be booked, for which the Company will seek recovery through the GRIP program.

A. Are the types of equipment for which the company is seeking recovery through the GRIP program related to the safety of the system?

Please file the original and five copies of the requested information by Tuesday, July 3, 2012, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6187 if you have any questions.

Sincerely,

Martha C. Brown

Martha C. Brown
Senior Attorney
Office of the General Counsel

MCB/th

cc: Office of Commission Clerk
Division of Economic Regulation (McNulty)