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September 20, 2024

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20240107; Petition for Approval of Modifications to Cast Iron/Bare Steel Pipe Replacement Rider, by Peoples Gas System, Inc.

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. are the company's answers to Staff's First Data Request (Nos. 1-13) served via email on August 27, 2024.

Thank you for your assistance in connection with this matter.

Sincerely,

Virginia Ponder

VLP/ne
Attachment

cc: Segundo Sanchez
Ryan Sandy

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing answers, filed on behalf of People Gas System, Inc., has been furnished by electronic mail on this 20th day of September, 2024 to the following:

Ryan Sandy
Office of General Counsel
Florida Public Service Commission
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ATTORNEY

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20240107-GU
STAFF'S FIRST DATA REQUEST
REQUEST NO. 1
BATES PAGE(S): 1
FILED: SEPTEMBER 20, 2024

1. Please refer to paragraph 14 and Exhibit 2 of the Petition. For the estimated cost of $126.3 million for the replacement of CI/BS and PPP under the Rider, provide an annual breakdown of the miles and cost by material type for the five-year period.

A. Please find below the projected miles replaced and investment by year for CI/BS and PPP under the Rider.

PEOPLES GAS SYSTEM, INC.

Projected CI/BS & PPP Miles Replaced and Capital Investment

2025 - 2029

	Miles Replaced		Investment		
	CI/BS	**PPP**	**CI/BS**	**PPP**	**Total**
2025	4.92	59.83	$ 2,578,630	$ 32,334,900	$ 34,913,530
2026	1.72	65.00	$ 1,432,920	$ 33,951,700	$ 35,384,620
2027	1.00	60.00	$ 874,752	$ 32,907,000	$ 33,781,752
2028	0.47	40.39	$ 918,489	$ 20,282,200	$ 21,200,689
2029	0.00	0.00	$ 162,610	$ 857,122	$ 1,019,732
TOTAL	**8.11**	**225.22**	**$ 5,967,401**	**$ 120,332,922**	**$ 126,300,323**

2. Please refer to paragraph 18 of the Petition. Identify each of the nine projects and provide a project cost breakdown of each. Also, provide a timeline and the current status describing what activities have been or remain to be completed for each project.

A. Paragraph 18 of the Petition explains that the company identified nine projects necessary to meet the new requirements under the Safety of Gas Transmission Pipelines Rule ("the rule"). The Petition also stated that the company estimated these projects to cost $10.1 million over a 3-year period. Since filing the Petition on July 26, 2024, the company underwent its annual budgeting process and reevaluated the plan associated with these projects, project timing and related costs. Based on this reevaluation, the company has determined that *eight* projects are necessary to meet the requirements of the Rule and estimates the cost associated with these projects to be $10.9 million over a 3-year period.

The eight projects and the associated project cost of each are identified in the table below. Four of the eight projects involve material reconfirmation, and four projects relate to Maximum Allowable Operating Pressure ("MAOP") reconfirmation. The activities associated with the projects designated for material reconfirmation will require construction crews to excavate the pipe at multiple locations along the pipeline and perform tests to determine material properties such as minimum yield strength and yield tensile strength. Crews will also reconfirm other material specifications that are currently documented in the company's records. The MAOP reconfirmation projects will require crews to take the pipeline offline and perform pressure testing.

The timeline for these projects is designated by year in the table below. The company is still developing a more specific project timeline. As explained in paragraph 18 of the Petition, the recently enacted rule requires operators, as outlined in 49 CFR 192, to reconfirm the MAOP and certain material characteristics and attributes for transmission pipelines if traceable, verifiable, and complete records of MAOP and material properties are not available. Since the rule became effective in May 2023, the company has actively engaged in refining plans to meet these requirements by:

- locating documentation related to transmission assets;
- reviewing the located documentation related to transmission assets;

- exploring and analyzing the costing for the different reconfirmation methods allowed by the rule;
- eliminating potential projects when the company has located adequate documentation; and
- evaluating the benefits of hiring an engineering consultant to complete a full review of asset documentation and assist with exploring the various reconfirmation options under the rule and the associated costs.

The company's goal is to fully meet the requirements of this rule that "will significantly improve safety and environmental protections for our nation's natural gas pipeline system, which will save lives, avoid costly disruptions to gas service, and strengthen our supply chains" (PHMSA Public Affairs. (2022, August 4). *New Rule Strengthens Safety Requirements for More than 300,000 Miles of Natural Gas Pipelines*. Pipeline and Hazardous Materials Safety Administration. PHMSA (dot.gov). Quoting Pete Buttigieg, U.S. Transportation Secretary). This purpose for the rule and a commitment to meeting the requirements aligns with the company's Pipeline Safety Management System. A specific example of the cost saving focus is the company's rescheduling of the Dade City (Kathleen Rd) / Pasco Cogen Line – Lakeland Project to 2025 to take advantage of resource availability and cost savings by timing the MAOP verification project with a scheduled project to relocate a large portion of this same pipeline.

PEOPLES GAS SYSTEM, INC.
MAOP and Material Properties Reconfirmation Projects

Year	Verification Type	Pipeline	Miles or No. of Digs	Estimated Cost
2025	Material	TEC Bayside Service	2	$ 90,000
2025	Material	Kennedy 16	3	$ 135,000
2025	Material	Jax FGT to E Palatka Gate 6	1	$ 45,000
2025	Material	Ft Pierce	1	$ 45,000
2025	MAOP	Dade City (Kathleen Rd) / Pasco Cogen Line - Lakeland	9.20	$ 6,739,000
2026	MAOP	Baldwin to Capper Rd - Jax	0.9	$ 1,000,000
2027	MAOP	Vandolah Line	0.55	$ 2,100,000
2027	MAOP	Pearl St. to Kennedy - Jax 16" (1900 Ft)	0.35	$ 750,000
			TOTAL	$ 10,904,000

3. Please refer to paragraph 19 of the Petition.

a. Specify when regulations by PHMSA are anticipated to be proposed, and the effective date of the requirements of those proposed regulations. If these are not known, explain how the Company estimated these dates.

b. Provide a timeline describing the Company's current status of evaluating its district regulator stations, including the number of regulator stations evaluated and upgraded annually.

c. Explain how the estimated cost of $22.3 million was determined. As part of this, explain if this estimate only accounts for the district regulator station inspections or includes any necessary upgrades.

d. Provide the number of district regulator stations that had been evaluated, had been determined to be in need of upgrades, and had been upgraded as of the Petition filing date.

A. a. The regulations referenced in paragraph 19 of the Petition were proposed by PHMSA on September 7, 2023, in the Federal Register, pursuant to the Leonel Rondon Pipeline Safety Act – part of the Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020 (the "Pipes Act of 2020"). *See* https://www.govinfo.gov/content/pkg/FR-2023-09-07/pdf/2023-18585.pdf. As described in the notice, PHMSA proposed to revise the pipeline safety regulations to require operators of gas distribution pipelines to update their distribution integrity management programs ("DIMP"), emergency response plans, operations and maintenance manuals, and other safety practices. The comment period closed November 6, 2023, and the proposed rule is pending completion before PHMSA.

b. The company has approximately 1,700 district regulator stations to be evaluated and then prioritized for necessary improvements to meet the requirements of the 2020 Pipes Act based upon those findings. Over the course of that ten-year period, the company anticipates inspecting approximately 170 stations annually.

To date, the company has inspected 30 district regulator stations and 15 of these stations will need capital investment to bring them into compliance. In these initial inspections, it was discovered some district regulator stations met the criteria, others needed some smaller capital

investments to meet the criteria, and others may require a complete station rebuild due to the age of the equipment and current design. The company has not made improvements to these evaluated stations as the design changes are still being assessed.

Based on the results of the inspections completed thus far, the company estimates fifty percent of its existing stations, or 85 stations annually under the proposed evaluation plan, will require some level of capital improvement.

c. The estimated cost of $22.3 million is based upon the company's estimate of an average inspection cost of $2,000 per station and improvement costs averaging $22,235 per station. If half, or 850, of the company's stations require improvements, the total cost would be approximately $22.3 million over the ten-year period.

d. As of the Petition Filing date, July 26, 2024, the company (i) evaluated 30 district regulator stations; (ii) 15 were determined to need upgrades; and (iii) upgrades to these 15 had not been made. See also the company's response to Staff's First Data Request No. 3(b).

4. Please refer to paragraph 20 of the Petition.

a. Explain how the retirement of inactive gas service lines is currently recovered. If the Commission were to approve of the requested Rider expansion, explain how the recovery process would change.

b. Would inclusion of retirements of inactive gas service lines accelerate the Company's retirements? If not, please explain why.

A. a. The company currently recovers the costs associated with the retirement of inactive services through the Cost of Removal, or Net Salvage, component of depreciation rates for FERC account 380. As stated in paragraph 15 of the company's *annual* Rider CI/BS Petition to revise surcharges filed on August 30, 2024, Docket No. 20240133-GU ("Annual Rider CI/BS Filing"): "the company recognizes that the 2012 Order contemplates the inclusion of the costs of the new asset constructed and *not* the retirement capital expenditures of the replaced asset." Therefore, the company excludes retirement capital expenditures from the "eligible replacements" recovered through the Rider CI/BS. Inactive services were excluded from the SAFIR modifications portion of the company's Annual Rider CI/BS Filing and accepts removal of inactive services from the SAFIR Petition.

b. See response to Staff's First Data Request No. 4(a).

5. Please refer to paragraph 21 and Exhibit 2 of the Petition.

a. Explain how the estimated cost of $143.2 million was determined. As part of this response, provide a breakdown of the estimated annual costs for retirement of inactive service lines, including O&M expense and capital expenses.

b. Explain how the Company came up with the annual values for this activity based off of its historic trends. As part of your response, provide the annual number and length of inactive service lines retired, the annual average cost per service retirement, and the annual total cost of retirements over the last 10-year period.

A. a. See response to Staff's First Data Request Question No. 4a.

b. See response to Staff's First Data Request Question No. 4a.

6. Please refer to paragraph 22 and 23 of the Petition.

a. Explain whether this project is implementing any changes that would prevent third party damages and/or other leaks from occurring or if it represents responding to and replacing pipe effected by third party damages and other leaks.

b. Explain how pipeline replacement costs due to third-party damages and/or other leaks are currently recovered. If the Commission were to approve of the requested Rider expansion, explain how the recovery process would change.

c. For damages caused by a third-party, does the Company pursue reimbursement from the at fault third-party? If so, explain whether the estimated $192 million takes potential reimbursements into account. If not, explain why not.

d. Provide the estimated annual number of projects and length of pipe replaced related to pipeline replacements due to third-party excavation damage.

e. Provide the estimated number of projects and length of pipe replaced related to pipeline replacements due to leaks unassociated with third-party excavation for the ten-year period. As part of this response, please provide a list or examples of the causes of these non-excavation related leaks.

f. Provide an estimated per project cost, and a breakdown of how this was developed. If pipeline replacements due to third party excavation and leaks unassociated with excavation have different estimated project costs, please provide the estimated cost and breakdown by type.

g. Explain the reason(s) for the increase in capital investment for pipeline replacement costs due to third-party damage and other leaks since 2019. As part of this response, elaborate on how the frequency of projects compares to Florida's population growth rate.

h. Explain how the Company came up with the annual values for this category based off of its historic trends. As part of your response, provide the annual number of incidents, length of pipe replaced, per incident average cost, and total pipeline replacement costs for the last 10-year period for these activities as a whole, and for third party

excavation damages and leaks unassociated with excavation separately.

A. a. As set out in paragraphs 22 and 23 of the Petition, the company is requesting for consideration under the rider the eligibility of pipeline replacement costs resulting from third-party pipeline damage and other pipeline leaks. This project does not include costs associated with the company's initiatives related to damage prevention.

b. Currently, it requires a base rate case to recover capitalized main and service line replacement costs resulting from third-party pipeline damages and other pipeline leaks. If the Commission were to approve the requested rider expansion, these costs would be recovered through the SAFIR Rider surcharge using the current procedure for Rider CI/BSR.

c. Yes, the company does pursue reimbursement from the at fault third-party for pipeline damages. The collection process typically occurs over multiple years due to negotiations and litigation activities. The company has historically recorded collections as a credit to operations and maintenance ("O&M") expense rather than associate these collections with specific projects. This credit for collections offsets O&M expense recorded for non-capitalized repairs associated with third-party pipeline damages and is a benefit to customers through lower base rates because of a reduced revenue requirement filed in the company's petitions for rate increase.

d. The number of capital replacement projects due to third-party excavation damage is unknown for future years. For this Petition, the company performed an analysis of capital main and service data related to replacements due to third-party excavation damage for the past five years and determined the following:

	Average Projects Per Year	Average Linear Feet Replaced Per Project
Main Replacements	268	26
Service Replacements	608	4

e. The average length of pipe replaced due to leaks unassociated with third-party excavation is unknown for the future ten-year period set out in the Petition. While the company has not historically tracked capital

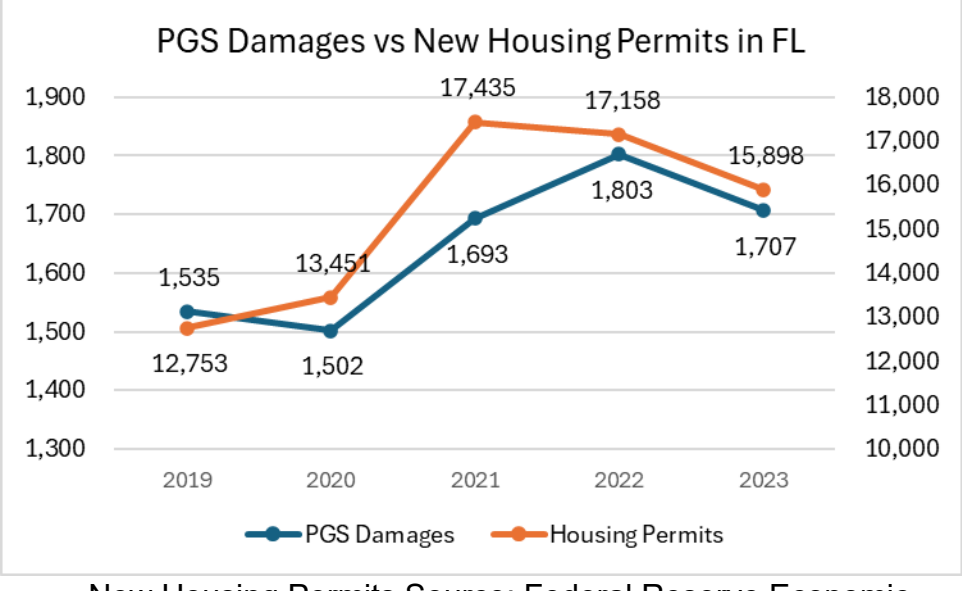
main replacement separately based on cause, the company did perform an analysis of the last five years of main replacement data for this petition showing that there are on average 25 projects a year. The company does not have an average length of replacement at this time as it was not tracked historically. The main replacement projects are due to leaks caused by a multitude of reasons including but not limited to leaking valves and other appurtenances, corrosion, and natural forces.

f. The company based its' projections for capital investment in main and service line replacement costs resulting from third-party pipeline damages or other leaks based on historical costs trended for inflation and an estimated increase to outside services cost due to pending contract negotiations. The number of capital main replacement projects due to third-party damages and other leaks is unknown for future years; however, the average cost per a project for the last five years derived through the company's analysis of main replacement data are as follows:

- Main Replacement (Third-Party Damages): $21,911.
- Service line Replacements (Third-Party Damages): $10,091.
- Other Leaks on Main: $40,442.

g. There are several factors driving increases since 2019 in capital costs for pipeline replacement costs related to third-party damage, including (1) restoration costs, (2) materials, (3) contractor pricing, (4) premium pricing for emergency work, and (5) increased damages. Restoration requirements imposed by permitting from various municipalities have added additional costs. The costs of materials used in pipeline replacements have increased due to inflation, supply issues, and increased costs for raw materials and energy to produce such materials. The company's outside services costs have increased due to renegotiation in 2020 of agreements with the company's contractors performing the majority of this work. Work associated with main replacement due to third-party excavation damage is often done under emergency circumstances and thus, leads to premium pricing impacted by inflation across various expenses including construction contracting, dewatering and vacuuming, maintenance of traffic, lighting for overnight work, inspection, and internal emergency response labor. Finally, the company has experienced a greater number of third-party excavation damages as increased over the past several years.

The company believes that the number of pipeline damages over the past several years has directly correlated with population growth in Florida. This is perceived when comparing the new private housing permits in Florida by year with the number of pipeline damages the company received (see chart below). It is the company's conclusion that population growth drives construction of new housing, which drives construction of new above and below ground infrastructure. All this construction, which often involves excavation, leads to an increase in pipeline damages.



New Housing Permits Source: Federal Reserve Economic Data (https://fred.stlouisfed.org)

h. The company analyzed five years of actual costs for main replacements to determine spending trends specifically for main replacement due to third-party damage and other leaks. While changing how costs are collected going forward, the company previously maintained the costs associated with main replacements due to third-party damage and other leaks under one cost collector. Accordingly, this task was highly labor-intensive, requiring between 90 and 115 hours of focused work by a single individual with specialized accounting and operational knowledge. Based on this analysis, the company concluded that approximately forty percent of the total main replacement costs have been historically associated with replacements due to third-party damage and ten percent of replacement costs due to other leaks. The company then applied these percentages to main replacement costs trended with inflation and outside service cost increases for the projected years.

The company also analyzed five years of third-party damage data from its Leak Management System ("LMS"). This data provides the number of damages and length of pipe replaced for each damage.

The company objects to providing the data requested in subpart (h) for a 10-year period due to the labor-intensive nature of the accounting analysis. However, the company provides the requested data for a five-year period which reflects the company's analysis prior to filing the Petition. Accordingly, the schedule below reflects the annual number of damages, number of other leaks, and average and total costs for damages and other leaks by year from 2019 to 2023. The company will work with Staff to the extent further information is needed.

PEOPLES GAS SYSTEM, INC.
Main and Service Line Replacement Cost Analysis
2019 - 2023

Main Replacement Due to Third-Party Damage:

	Number of Damages (CapX)	Average Length (Ft) Replaced	Average Cost Per Damage	Total Cost
2019	247	32	$ 14,810	$ 3,657,986
2020	267	29	$ 17,714	$ 4,729,602
2021	289	27	$ 19,570	$ 5,655,750
2022	286	19	$ 25,153	$ 7,193,880
2023	250	22	$ 32,405	$ 8,101,136
5-Yr Avg	268	26	$ 21,911	$ 5,867,671

Service Replacement Due to Third-Party Damage:

	Number of Damages (CapX)	Average Length (Ft) Replaced	Average Cost Per Damage	Total Cost
2019	513	4	$ 8,156	$ 4,183,855
2020	566	4	$ 7,256	$ 4,106,981
2021	662	3	$ 8,348	$ 5,526,424
2022	757	3	$ 10,070	$ 7,622,982
2023	542	4	$ 17,039	$ 9,234,945
5-Yr Avg	608	4	$ 10,091	$ 6,135,038

Main Replacement Due to Other Leaks:

	Number of Leaks (CapX)	Average Length (Ft) Replaced	Average Cost Per Leak	Total Cost
2019	8	*	$ 49,693	$ 1,888,344
2020	36	*	$ 32,074	$ 1,347,113
2021	25	*	$ 51,563	$ 1,546,882
2022	46	*	$ 30,642	$ 1,440,167
2023	9	*	$ 53,135	$ 531,355
5-Yr Avg	25	*	$ 40,442	$ 1,350,772

**Data not available.*

7. Please refer to paragraph 25 of the Petition.

a. Specify how the Company selected the specific span replacements, or if the company is replacing all spans. If only high-risk spans are being replaced, provide the number of projects.

b. Provide an estimate for the cost for each span replacement, and a breakdown of how those estimates were developed.

c. Explain how the company identified the area with shallow pipelines and provide a breakdown of the project costs.

A. a. The company determines what spans need improvement as it performs two to four inspections of each annually as required by 49 CFR 192.721, Distribution systems: Patrolling. The company then selects the specific span replacements to be capitalized when such a replacement will increase the useful life of the asset. Historically, the company has made capital improvements to approximately eight spans per year.

b. The company analyzed five years of actual costs for main replacements to determine spending trends specifically for spans. Based on this analysis, the company concluded that approximately two percent of the total main replacement costs have been historically associated with pipeline spans. The company then applied this percentage to main replacement costs trended with inflation and outside service cost increases for the projected years. Over the five-year period analyzed, actual costs averaged approximately $70,000 per a span.

c. The area which the company has identified with shallow pipelines covers the jurisdiction within the City of Margate in Broward County, Florida. The natural gas distribution system within this municipality stems from the acquisition of a liquified propane block system in the 1970's and has been modified and expanded within the past fifty years to match the residential and commercial growth.

In 2024, the City of Margate Public Works Department raised some concerns with respect to the natural gas pipeline depth found in selected areas as they performed right-of-way work within the municipality. The existing two-inch coated steel natural gas pipeline and associated service lines were verified to have an elevation ranging from six to twenty-four inches of cover from existing grade at

various locations and conflict with driveway replacements and other water main upgrades being performed at various locations within the roadway.

A breakdown of the costs covering the replacement of the two-inch gas pipeline and associated services within the affected area are shown below.

PEOPLES GAS SYSTEM, INC.

Margate Shallow Pipe Replacement Project

Total Cost Breakdown

Plastic Materials		
Supply Main	$	21,600
Commercial Service Line and Generators	$	1,325
Residential Service Line, Meter Sets, and Generators	$	2,192
Total Plastic Materials	**$**	**25,117**
Steel Materials		
Supply Main	$	6,090
Total Steel Materials	**$**	**6,090**
Outside Services		
Supply Main	$	449,450
Commercial Service Line and Generators	$	9,616
Residential Service Line, Meter Sets, and Generators	$	48,498
Total Outside Services	**$**	**507,564**
Direct Labor	$	45,989
Equipment	$	620
Overhead	$	58,490
Other	$	250,199
Total Project Costs	**$**	**894,069**

8. Please refer to paragraph 26 of the Petition.

a. Explain if the use of casings is identified as being in need of accelerated replacement in the Company's Distribution Integrity Management Plan.

b. Explain how the 21 sections of distribution main mentioned were determined to be in need of improvement or replacement.

c. Provide an estimated per project cost and a breakdown of how the costs were developed.

A. a. No, however the company is continuously evaluating the casings within its system to meet pipeline compliance requirements. These evaluations have evidenced that many of these casings are problematic and can be costly to maintain without improvements to or replacement of the casing. Additionally, the consultant utilized by the company for the Petition recommends that the company evaluate the feasibility of replacing shorted casings as part of our DIMP program.

b. In determining the sections of main with casings needing replacement or improvement, the company compiled a list of steel distribution main in steel casings and reviewed corrosion protection test and inspection records to identify any issues that may have developed after installation, preventing the company from performing the required corrosion protection testing, annual verification of the separation between the distribution main and casing, or properly venting as required by 49 CFR 192.467 and 49 CFR 192.323. An engineering review was performed to develop remediation options that could include abandonment, relocation or replacement. A multiyear plan was put in place to implement the remediation of these distribution mains and casings.

c. . The company analyzed five years of actual costs for main replacements and improvements to determine spending trends specifically for casings. Based on this analysis, the company concluded that approximately ten percent of the total main replacement costs have been historically associated with pipeline casings. The company then applied this percentage to main replacement costs trended with inflation and outside service cost increases for the projected years. Over the five-year period analyzed, actual costs averaged approximately $72,000 per casing, with some projects achieving much higher costs.

9. Please refer to paragraph 27 of the Petition.

a. Explain what the mitigation required by the company's undetectable facilities entails. As part of your response, explain if the program is meant to expedite the remediation process.

b. Explain how the estimated miles of undetectable facilities are determined.

A. a. Yes, this program will enable the company to take a proactive approach over the five-year period rather than responding reactively as undetectable assets are identified through locate tickets.

The company will employ one or more of the following pipeline locating techniques to mitigate the adverse conditions of its undetectable facilities:

- A crew excavates by nondestructive means (utilizing hand tools and/or vacuum excavation) to gain confirmation on location, depth, and direction of the undetectable underground facilities. Crews will also capture Global Positioning System ("GPS") location information.

- A line locator utilizes traditional pipe and cable locating equipment with gas line traceable pipe rodder system. Additionally, the company would deploy a pipe camera with traceability to identify service line connections and pipe fittings. Gas facilities can be located while still pressurized without the need to disconnect from the gas main.

- A hydro-vacuum excavation crew excavates by nondestructive means to gain confirmation on location, depth, and direction of the undetectable underground facilities. Crews will also GPS location information.

To assist in future locating activities, crews will install company approved locating devices such as marker posts, valve boxes, marker-balls, and perform all needed maintenance and repairs to broken tracer wire. In concluding the process, crews will capture and provide all electronic file data which is utilized to update facility records. Data includes new measurements, electronic sketches, pictures/videos, GPS points with shapefiles.

b. The company compiled the estimated miles of undetectable facilities through its Geographical Information System ("GIS"). When a pipeline locator technician responds to a locate ticket and concludes that the facility is undetectable, the ticket is forwarded to a locate supervisor for further investigation and review of any facility documentation available. Upon the supervisor concluding that the facility is undetectable, the facility is marked as such in the undetectable map within GIS.

10. Please refer to paragraph 30 of the Petition.

a. Elaborate on what actions the mentioned system enhancement project will entail and explain how these enhancements will impact future third-party incidents in the Dade-Broward service area.

b. Provide a project cost breakdown and a timeline for the system enhancement project.

A. a. The Dade-Broward System Enhancement Project includes construction of an additional 6-inch steel main feed for this system to eliminate a single failure point near the Miami River and the high-risk impact on the thousands of customers, including numerous critical customers, as set out in the cited portion of the Petition. This enhancement will reduce the risk caused by a future third-party damage by providing the ability to sectionalize the system, without losing critical customers, and more immediately stop the escape of gas to atmosphere preventing an incident from occurring.

b. Please find below the estimated cost breakdown for the 6-inch steel main feed and distribution system enhancements associated with the Dade-Broward System Enhancement Project:

PEOPLES GAS SYSTEM, INC.
Dade-Broward System Enhancement Project
Cost Estimate

Cost Type	Cost Estimate
Materials	$ 3,000,000
Outside Services	$ 1,100,000
Construction	$ 6,700,000
Internal Labor	$ 522,000
Escalation	$ 1,018,980
Contingency	$ 4,936,392
TOTAL	**$ 17,277,372**

11. Please refer to paragraph 31 of the Petition.

a. Elaborate on what actions the mentioned system enhancement project will entail and explain how these enhancements will impact future third-party incidents in the Southwest Florida service area.

b. Provide a project cost breakdown and a timeline for the system enhancement project.

A. a. The Southwest Florida System Enhancement Project includes the construction of an additional five-mile feed running south from the company's Fort Myers gate station to eliminate a single failure point in the system feed and the high-risk impact on the thousands of customers, including numerous critical customers, as set out more fully in the cited portion of the Petition. This new feed will reduce the risk caused by a future third-party damage by providing the ability to sectionalize the system, without losing critical customers, and more immediately stop the escape of gas to atmosphere preventing an incident from occurring.

b. Please find below the estimated cost breakdown for additional feed associated with the Southwest Florida Enhancement Project:

PEOPLES GAS SYSTEM, INC.
Southwest Florida System Enhancement Project
Cost Estimate

Cost Type	Cost Estimate
Materials	$ 1,093,642
Outside Services	$ 826,541
Construction	$ 4,515,185
Internal Labor	$ 122,430
Escalation	$ 501,182
Contingency	$ 3,275,627
Land	$ 493,727
AFUDC	$ 253,120
TOTAL	**$ 11,081,454**

12. Please refer to paragraph 32 of the Petition.

a. Clarify if the Company only plans to relocate all 161 miles of main pipeline deemed highest risk or all 3,000 miles within its system.

b. Provide an annual number of service connections and miles of service lines to be relocated for the 10-year program period.

A. a. The company's intention is to relocate approximately 161 miles of the 3,000 miles of main pipeline currently located in rear easements. The 161 miles of main have been identified as historically difficult to access for maintenance, compliance and repair activities. While these miles are an estimate, the company does not expect that the actual miles relocated will be materially different.

b. The company notes that it construes the terms "service connections" and "service lines" to be synonymous and for purposes of this response will use the term service lines.

Both main and service lines will be relocated as part of this project. The miles of main projected to be relocated on an annual basis for the 10-year period is 16.1 miles.

The annual *number* of service lines to be relocated over the ten-year period is approximately 462. It is not the company's practice to calculate service lines by mileage. However, the average service line is 72.5 feet. Accordingly, the approximate service line length in miles to be relocated annually would be just over 6 miles.

13. State whether a third-party consultant was used to determine the need and/or estimated cost for the projects identified in the Company's Petition. If so, identify the project(s) and what determination(s) were made by the consultant.

A. The company utilized a third-party consultant to review its current Distribution Integrity Management Plan ("Plan"). The consultant concluded that the Plan meets and exceeds the minimum requirements for compliance with 49 CFR 192 Subpart P. Additionally, the consultant recommended that during the next Plan review, the company include some additional mitigation activities for threats identified by subject matter experts with company including replacement or improvement of shorted or corroded casings, implementation of redundant overpressure protection mechanisms at district regulator stations, improvements to undetectable facilities, relocation of facilities at risk in rear easements, and risk evaluation and improvement of spans.