

**REDACTED**

1. *On Page 5 of the petition, Paragraph 11, you assert that FCG will recover its cost to serve Miami-Dade County at the proposed rates. Please provide calculations showing the cost to provide the service as described in the contract, and the derivation of the proposed rate.*

Response: See the spreadsheet included herewith as Attachment 1. Upon further review, the Company believes that this assertion was incorrect and should not have been included in the original petition. If necessary, the Company will file to amend its original petition at the appropriate time.

The 1998 contract was offered at a rate that recovered less than the cost of service applicable to the contract due to the prospect of customer bypass. The rate was not changed in the current contract, as the customer requested an extension of the same rate. As explained in greater detail below, continued service to Miami-Dade at the contract rate provides incremental load to the Florida City Gas (FCG or the Company) system therefore allowing certain O&M costs to be allocated to Miami Dade that would otherwise have to be recovered by the general body or ratepayers.

2. *Please explain the derivation of the maximum annual contract quantity (MACQ) for each site and why such a maximum is necessary.*

Response: The MACQ clause was added to the contract because Miami Dade County has considered expanding its facilities. As the extension of service was offered as an accommodation to the customer, any new service requiring expanded gas deliveries or new facilities will not be served under the proposed rate. Any proposed new service will be negotiated at that time and any new contract or amendment to the present contract will be submitted to the Commission for approval.

3. *Please explain the derivation of the minimum annual volume and maximum daily quantity of gas specified and why such limits are necessary.*

Response: The stated minimum annual volume and maximum daily quantity of gas volumes are each carried over from the original agreement. At the time of the original agreement, the company required Miami Dade to meet certain volume thresholds in order to qualify for the discounted contract rate. The derivation of the maximum daily quantities was based on Miami-Dade's estimated daily consumption and on the

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capacity of Miami-Dade's equipment. The derivation of the minimum annual volume was believed by FCG at the time of the original contract to be necessary for Miami Dade to qualify for the discount and provide support for its allocation of O&M costs.

4. *Please describe how the loss of Miami-Dade County would impact the general body of ratepayers if the contract is not approved.*

Response: Under the Contract, if the Commission does not approve the contract as written, the parties will enter into new negotiations to create a contract that can meet Commission approval. It is important for the Company to continue serving Miami-Dade as it provides significant incremental load to Florida City Gas system and its service does allow certain O&M costs to be allocated to Miami Dade that would otherwise have to be recovered by the general body or ratepayers. FCG also has the potential of securing future growth opportunities associated with Miami Dade, as Miami Dade County has six EMD engines at the same location burning diesel oil, and Miami Dade is currently reviewing bids to convert these engines to natural gas. Additionally, service to Miami Dade contributes ██████████ to FCG's annual margins. Of this, ██████████ is recovered through the CRA tariff rider and ██████████ is recovered directly from Miami Dade under the contract rate.

5. *What other options does Miami-Dade County have to secure gas, if the contract is not approved?*

Response: The first option for Miami Dade is to re-enter negotiations with FCG to revise the proposed contract in a manner that will meet the standards for Commission approval. The second option is for Miami Dade to bypass FCG and connect directly to the Florida Gas Transmission line which is located outside its Alexander Orr facilities. The proximity of this transmission line could prompt Miami-Dade to negotiate direct interconnection for its entire account.

6. *What is the purpose for the new language on Page 11, Article XIII, Miscellaneous, paragraph 6, of the new contract? What additional protection does it provide over the previously included Force Majeure language?*

Response: The previously included Force Majeure language protects both parties from liability as a result of events that are outside the control of the parties. If a Force

Majeure event occurs, then the parties are excused from liability for damages to the other arising out of that Force Majeure event. Alternatively, the new language in Article XIII, paragraph 6, does not excuse the parties from liability for certain types of events in the way the Force Majeure clause provides, but rather limits the types of damages that the aggrieved party can seek against the other party when such other party is liable. This new language provides that the aggrieved party can seek compensation for its direct damages, but unless the cause of action arises out of a particularly serious offense (e.g., the gross negligence or willful misconduct of the other party), then the aggrieved party should not be able to sue for these indirect, special, consequential or punitive damages, which are difficult to predict and quantify and are typically limited in contracts between commercial parties.

**Responses Attachment 1**  
**Miami Dade Water Plant - Rate Design Comparison**

	Per 1999 Rate Design	Per Nov'08 Surveillance Report
<b>Miami Dade Water and Sewer Water Plant - Alexander Orr Cost of Service and Rate Design</b>		
<b>Description</b>	<b>Total</b>	<b>Total</b>
O&M Expenses	\$3,500	\$87,671
Depreciation	\$11,230	\$45,503
Taxes Other Than Income	\$10,302	\$12,094
State Tax @ 5.5%	\$2,943	\$2,535
Federal Tax @ 34.00%	\$15,674	\$14,367
Sub-total	\$43,649	\$162,171
Required Return on Investment (Rate base x ROR)	\$30,399	\$28,502
Total Incremental Cost of Service	\$74,048	\$190,672
Estimated Average Annual Volume (therms)	██████████	██████████
Incremental Cost Rate	██████████	██████████
<b>Miami Dade Water and Sewer Water Plant - Hialeah Water Plant and South District Cost of Service and Rate Design</b>		
<b>Description</b>	<b>Total</b>	<b>Total</b>
O&M Expenses	\$6,500	\$87,671
Depreciation	\$24,164	\$45,503
Taxes Other Than Income	\$10,649	\$12,094
State Tax @ 5.5%	\$6,331	\$2,535
Federal Tax @ 34.00%	\$33,726	\$14,367
Sub-total	\$81,370	\$162,171
Required Return on Investment (Rate base x ROR)	\$65,409	\$61,326
Total Incremental Cost of Service	\$146,779	\$223,497
Estimated Average Annual Volume (therms)	██████████	██████████
Incremental Cost Rate	██████████	██████████

Approved Rate of Return:

7.85%

7.36%