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Public Service Commission

February 17, 2012

Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P.O. Box 1531
Tampa, FL 33601-1531

STAFF'S FIRST DATA REQUEST

Re: Docket No. 110320-GU - Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.

Dear Mr. Watson:

By this letter, the Commission staff requests that Peoples Gas System (PGS or utility) provide responses to the following data requests.

1. What procedures will Peoples use to determine the order of replacement of cast iron and bare steel pipelines?
2. How many miles of each type of pipeline will be replaced each year?
3. What procedures will be used to notify the public of the pipeline replacement activity?
4. Will Peoples agree to provide quarterly reports to the Commission on the progress of its replacement program, including the location of the replacements and whether the location is in a high consequence area, the mileage of pipeline replaced, the type of materials used, and the date the replacement pipeline was put into service?
5. Will Peoples use the standard notice of construction to the Commission so that the Commission's engineers can evaluate the construction of the replacement pipeline?
6. Will Peoples be using its own employee inspectors for the replacement pipeline or will it contract out the inspections? If they are contracted out, who will be hired to conduct the inspections?
7. What type of materials will be used for the replacement pipeline?

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8. Please identify by type the total dollar amount of any projected Operations and Maintenance (O&M) expenses that Peoples Gas expects to incur to replace the Cast Iron/Bare Steel Pipe during the period of July 2012 through December 2012.
 9. Please identify by type the total dollar amount of any projected O&M expenses that PGS expects to incur annually to replace the Cast Iron/Bare Steel Pipe during the period of January 2013 through December 2022.
 10. Please identify by type the total dollar amount of O&M expenses that PGS seeks to recover annually through the Cast Iron/Bare Steel Pipe Replacement Rider revenues during the period of July 2012 through December 2022.
 11. Please provide the foundations/assumptions utilized to determine the need for an additional \$7 million of annual investment (\$583,333 monthly) for the acceleration of the replacement of the bare steel and cast iron pipe currently in its distribution system, including all findings associated with the "assessment" completed in August 2011 that is cited on page 6 of the Petition.
 12. On Exhibit C, starting on page 22, the proposed average rate of capital investments, return on average net investment, and property taxes relating to the Cast Iron/Bare Steel Replacement (CI/BSR) program are shown, by month, for the ten year duration of the program.
 - a. Please provide a detailed breakdown of the expected annual investment amount of \$7 million. Please identify all plant accounts and subaccounts to which the CI/BSR capital items will be recorded and any capitalized overhead expenses.
 - b. Please provide support for the capital structure utilized in developing the required returns shown on lines 7a and 7b of Exhibit C.
 - c. Please provide the calculations used to arrive at the 8.5710% used in calculating the "Equity component Grossed up for taxes" shown on line 7a of Exhibit C.
 - d. Please provide the calculations used to arrive at the 3.2907% used in calculating the "Debt component" shown on line 7b of Exhibit C.
 - e. Please provide support for the Ad Valorem Tax Rate of 1.35% used in calculating the "Property Taxes" shown on line 8d of Exhibit C.
 13. For the purposes of the following request, please refer to Exhibit B of PGS's Petition. Under procedures for establishing CI/BSR surcharges, does Peoples envision having its annual true-up filing audited by the Commission?
 14. How will the commission verify the actual costs associated with PGS's petition?
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Ansley Watson, Jr.

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15. For the purposes of the following request, please refer to Exhibit C of the Petition. The depreciation rate used is 2.6%.
 - a. Please identify the Commission order authorizing this rate.
 - b. Does PGS envision applying the same 2.6% depreciation rate for all three types of investments – mains, services and regulator stations?
 - c. If the response to (b.) is affirmative, is the 2.6% a composite rate? If so, please provide the composite rate derivation.
 - d. If the response to (b.) is negative, please detail the individual depreciation rates of all three types of investments – mains, services and regulator stations.
16. The Commission will be presented shortly with a staff recommendation updating PGS's currently approved depreciation rates. Does PGS envision updating the depreciation rates presented in its petition?
17. Referring to paragraph 12 of the Petition, please provide a copy of any documentation that describes PGS's current program, which has been in place since 2001, to replace cast iron and bare steel mains.
18. Referring to paragraph 13 of the Petition, please provide a copy of the "assessment" of the cast iron and bare steel mains and service lines that PGS completed in August 2011, if available.
19. In response to Question No. 11 above, please provide any documentation that supports the requested 7 million dollar annual increase, i.e., calculations, assumptions, plans, studies, assessments, etc.

Please file the original and five copies of the requested information by Thursday, March 9, 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
Senior Attorney
Office of the General Counsel

MCB/sh

cc: Office of Commission Clerk
Ms. Paula K. Brown
Ms. Kandi M. Floyd