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IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box 1531
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e-mail: aw@macfar.com

March 14, 2012

VIA FEDEX

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

REDACTED

RECEIVED-FPSC
12 MAR 15 AM 10:30
COMMISSION
CLERK

Re: Docket No. 110271-GU -- Petition for approval of transportation service agreement with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.

and

Docket No. 110277-GU -- Application for approval of tariff revisions to reflect service in Nassau and Okeechobee Counties, by Florida Public Utilities Company

Dear Ms. Cole:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original and ~~three (3)~~ ^{two (2)} copies of Peoples' responses to the Commission Staff's Second Data Request dated March 9, 2012 in the above docket. You will note that portions of Peoples' responses are redacted, and Peoples will be filing separately its request for confidential treatment of the portions redacted in the enclosures.

Please acknowledge your receipt of the enclosures on the enclosed copy of this letter, and return the same to me in the enclosed preaddressed envelope.

COM _____
APA _____
ECR 5
GCL 1
RAD _____
SRC _____
ADM _____
OPC _____
CLK _____


12 MAR 15 AM 10:30
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DOCUMENT NUMBER-DATE
01544 MAR 15 2012
FPSC-COMMISSION CLERK

Ann Cole
March 14, 2012
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Thank you for your usual assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Ansley Watson, Jr.", written in a cursive style.

Ansley Watson, Jr.

AWjr/a
Enclosures

cc: Martha F. Barrera, Esquire
Beth Keating, Esquire
Ms. Kandi M. Floyd

**PEOPLES GAS SYSTEM
DOCKET NO. 110271-GU & 110277-GU
STAFF'S SECOND DATA REQUEST
REQUEST NO. 1
PAGE 1 OF 1
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1. Please state how many interconnections Peoples has with FGT and how many with SNG in this area west of Jacksonville.
 - A. PGS has four interconnections with FGT and two interconnections with SNG in the Jacksonville area. The SNG Baldwin and Baker County interconnections are west of Jacksonville as is the FGT Lawtey interconnection.

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- 2.** Please discuss the timeline of the construction process.
 - A.** The design of the two 12-inch pipelines has been completed and the permitting process began in late 2011. The pipe will be milled in March 2012 and is scheduled to be coated and delivered in late April 2012. Actual construction is scheduled to begin the first week in May 2012. All upland and wetland construction as well as submerged land crossings are scheduled to take place throughout the summer and early fall of 2012. The Company anticipates the pipe to be completed in late October or early November 2012, with testing occurring prior to the 2012 Thanksgiving holiday. The two lines are scheduled to be placed in service at the end of November 2012.

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- 3.** Regarding the temporary release of interstate pipeline capacity on FGT to FPUC, please state:
- a. The expected annual savings to Peoples' customers through the PGA resulting from the release of the capacity
 - b. Will FPUC need the capacity on a permanent basis? If so, please state the reason(s) the release is referred to as being "temporary."
 - c. State the reason(s) why Peoples has excess pipeline capacity allowing Peoples to release some to FPUC. State whether Peoples' ratepayers are paying for it through the PGA.
- A.**
- a. The release rate under the Capacity Release Agreement between Peoples and FPUC is \$0.595 per dekatherm. The annual savings to Peoples' customers through the PGA would depend on the quantity of capacity released under the agreement to FPUC from time to time. For example, if the average daily capacity released during a year was only 1,000 dekatherms, the annual savings would be \$217,175. If average during a year was the full quantity of the capacity (7,500 dekatherms per day), the savings to Peoples' customers through the PGA for that year would be \$1,628,813.
 - b. PGS does not know if FPUC will need the capacity on a permanent basis, given the possibility that capacity could become available from other pipeline sources at some point in the future. The release is referred to as a "temporary" release because (i) PGS maintains ultimate control of the capacity if FPUC has no use for it after the initial term of the agreement and (ii) PGS can recall the capacity in order to modify receipt and delivery points under the terms and in the quantities contemplated by the release. The "temporary" release is distinguishable from a "permanent" release in that a permanent release would be equivalent to PGS giving up all rights to the released capacity forever. Additionally, the temporary release will enable FPUC to "grow into" up to 7,500 MMBtu per day of capacity, rather than being required to pay reservation charges on this full quantity starting on the first day of its Nassau County expansion.
 - c. PGS maintains a certain quantity of "excess" pipeline capacity in order to meet needle peak winter demands of its firm sales customers on a primary firm basis. When the capacity is not

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needed to meet demand, it is released on FGT's electronic bulletin board, used by PGS to make Off System Sales (75% of the margin from which is credited to the PGA), and utilized to serve growth markets such as Nassau County. In addition, excess capacity is created from time to time as the result of economic downturns, the turn back of capacity resulting from Individual Transportation Service (ITS) customer business closings, as well as because PGS does not require its ITS customers to acquire PGS' capacity.

While the costs of such capacity is included in the PGA for recovery, these costs are mitigated through releases on the FGT bulletin board and PGS' Off System Sales. In addition, since PGS' capacity on the FGT system is historical capacity (FTS-1 and FTS-2) that was purchased under long term service agreements, this capacity is priced at rates significantly below the rate for capacity created by the most recent FGT expansion (FTS-3).

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4. Please provide a breakdown of Peoples' expansion costs into Nassau County between costs incurred for construction of the white line, yellow line, and orange line on the map provided at the March 7, 2012 meeting. Please provide the information by line segment.

A. PGS' costs for the individual line segments are as follows:

1. The white line (2.25 miles of 20-inch replacement pipe) - [REDACTED]
2. The yellow line (16.2 miles of new 12-inch pipe) - [REDACTED]
3. The orange line (16.9 miles of new 12-inch pipe) - [REDACTED]

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- 5.** Please state the costs Peninsula will be responsible for, and the costs for which RockTenn will be responsible.
- A.** RockTenn will be responsible for the costs [REDACTED] associated with the originally planned 8-inch line originating at PGS' existing 12-inch line in the north Jacksonville area and terminating at the RockTenn plant on the northern end of Amelia Island.

Peninsula will be responsible for the incremental costs [REDACTED], which includes the cost to replace 2.25 miles of existing PGS 12-inch with 20-inch pipe) of constructing the 12-inch line originating at the same point as the original 8-inch line and extending to the Duval-Nassau County line.

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REQUEST NO. 6
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- 6.** Please state the manner in which RockTenn will pay for the construction costs assigned to it.
 - A.** RockTenn is responsible for the construction costs that are based on the original 8-inch pipeline costs. These costs will be recovered by PGS pursuant to its Gas Transportation Agreement with RockTenn which provides for a monthly payment to recover, over the 20-year term of the agreement, the charges payable under PGS's tariff and the cost of the pipe construction.

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DOCKET NO. 110271-GU & 110277-GU
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- 7.** Regarding the Gas Transportation Agreement between Peoples and Peninsula filed in Docket No. 110277-GU, please discuss the costs the reservation charge is designed to recover.
 - A.** The costs included in the Gas Transportation Agreement between PGS and Peninsula which the reservation charge is designed to recover are the incremental construction costs (between the original 8-inch pipe and the necessary 12-inch pipe), the 2.25 miles of 20-inch replacement pipe, the incremental O&M associated with this section of pipe, and PGS' return over a 15 year period.

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REQUEST NO. 8
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8. Please provide workpapers showing that the reservation charge recovers all costs Peoples incurs to serve Peninsula and that Peoples' ratepayers are not adversely affected by the agreement.

A. See attached workpapers, which are explained generally below:

Page 3 of 14 - Construction cost estimate for the original 8-inch steel pipeline extending from the PGS-owned black line to RockTenn on the north end of Amelia Island. Smurfitt-Stone Container merged with RockTenn in the summer of 2011, changing the facility's name to RockTenn.

Page 4 of 14 - Construction cost estimate for the 12-inch steel pipeline (the yellow line) extending from the PGS-owned black line to the Duval/Nassau County line

Page 5 of 14 - Construction cost estimate for the 12-inch steel pipeline (the orange line) extending from the Duval/Nassau County line (the yellow line) to RockTenn on the north end of Amelia Island

Page 6 of 14 - Construction cost estimate for the 2.25 miles of 20-inch pipe (the white line)

Page 7 of 14 - The construction cost estimate for the Amelia River crossing (part of the orange line)

Page 8 of 14 - Capital cost allocation methodology based on capacity ownership percentages

Page 9 of 14 - Breakdown of capital cost responsibility between PGS and PPC

Page 10 of 14 - Description of the project segments and the associated cost responsibility of each segment

Page 11 of 14 - Capital project summary for the 2.25 miles of 20-inch pipe (the white line)

Page 12 of 14 - Capital project summary for the 12-inch steel pipeline extending from the PGS owned black line to the Duval/Nassau County line (the yellow line) plus the RockTenn meter set

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Page 13 of 14 - Capital project summary for the 12-inch steel pipeline extending from the Duval/Nassau County line to RockTenn located on the north end of Amelia Island (the orange line) and includes the associated Peninsula revenue

Page 14 of 14 - Capital project summary for the 2.25 miles of 20-inch pipe (the white line), the 12-inch steel pipeline extending from the PGS owned black line to Duval/Nassau County line (the yellow line), and the 12-inch steel pipeline from the Duval/Nassau County line to RockTenn (the orange line) and includes the associated RockTenn and Peninsula revenue

RockTenn

8/1/2011

**Smurfitt in Fernandina Beach
Estimate**

Miles	8" Pipeline	
Feet	Meter and Regulator Stations	
Cost per Foot	Contingency	
Cost per Mile	Total	

Est. Quantity	Units	Description	Unit Cost	Extended Cost
---------------	-------	-------------	-----------	---------------

8" Pipeline				
Est. Quantity	Units	Description	Unit Cost	Extended Cost
[REDACTED]				

Meter and Regulator Stations				
Est. Quantity	Units	Description	Unit Cost	Extended Cost

[REDACTED]				
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110271-37
110271-43

**RockTenn in Fernandina Beach
Estimate
To County Line**

Miles
Feet
Cost per Foot
Cost per Mile

12" Pipeline
Meter and Regulator Stations
Contingency
Total

[REDACTED]

12" Pipeline			Unit	Extended
Est.	Units	Description	Cost	Cost

[REDACTED]				
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Meter and Regulator Stations			Unit	Extended
Est.	Units	Description	Cost	Cost

[REDACTED]				
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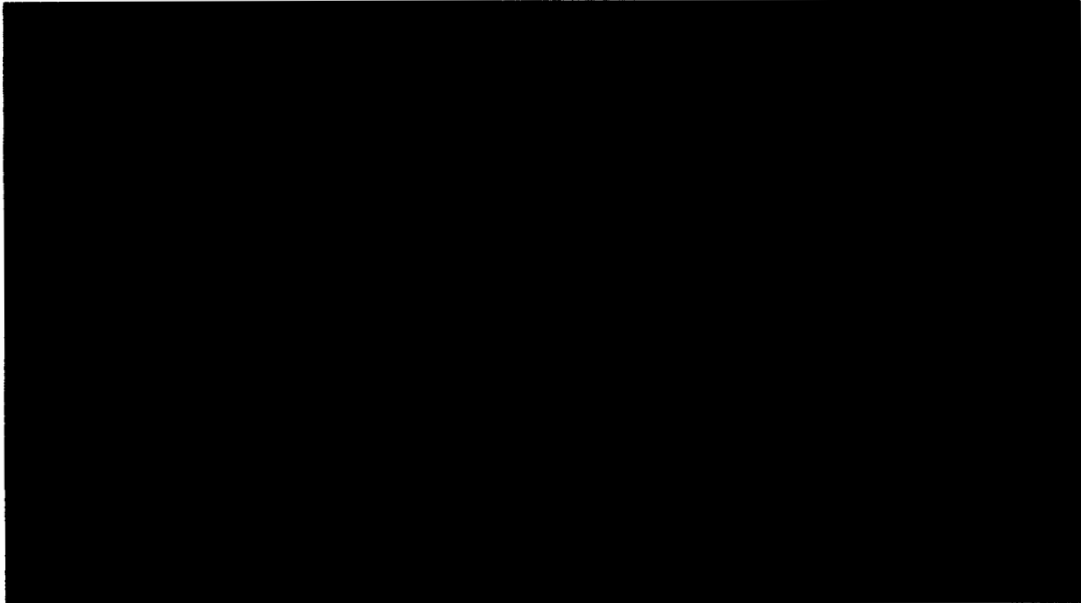
**RockTenn in Fernandina Beach
Estimate
County Line to RockTenn Plant**

■ Miles
■ Feet
■ Cost per Foot
■ Cost per Mile

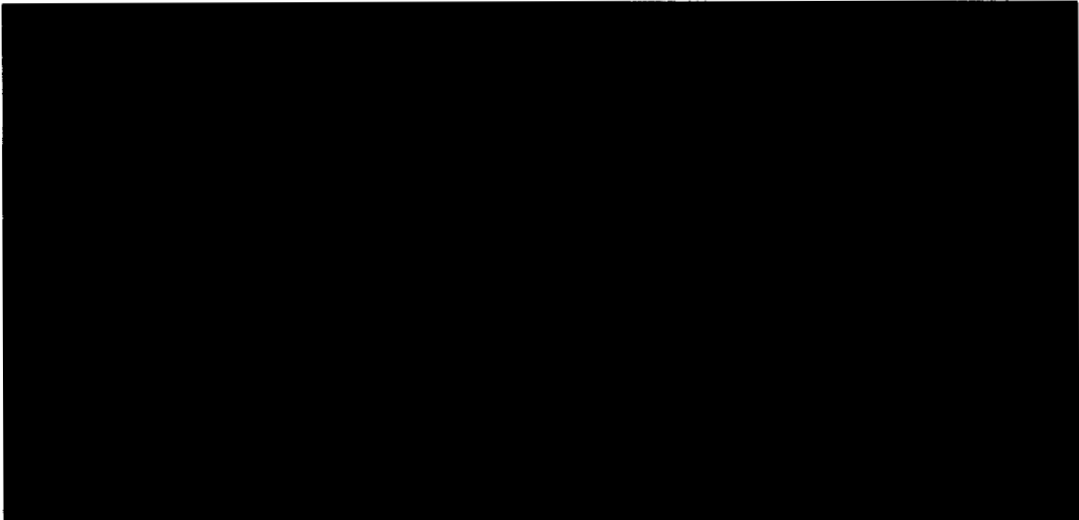
12" Pipeline
Meter and Regulator Stations
Contingency ■
Total

■

12" Pipeline				
Est.			Unit	Extended
Quantity	Units	Description	Cost	Cost



Meter and Regulator Stations				
Est.			Unit	Extended
Quantity	Units	Description	Cost	Cost



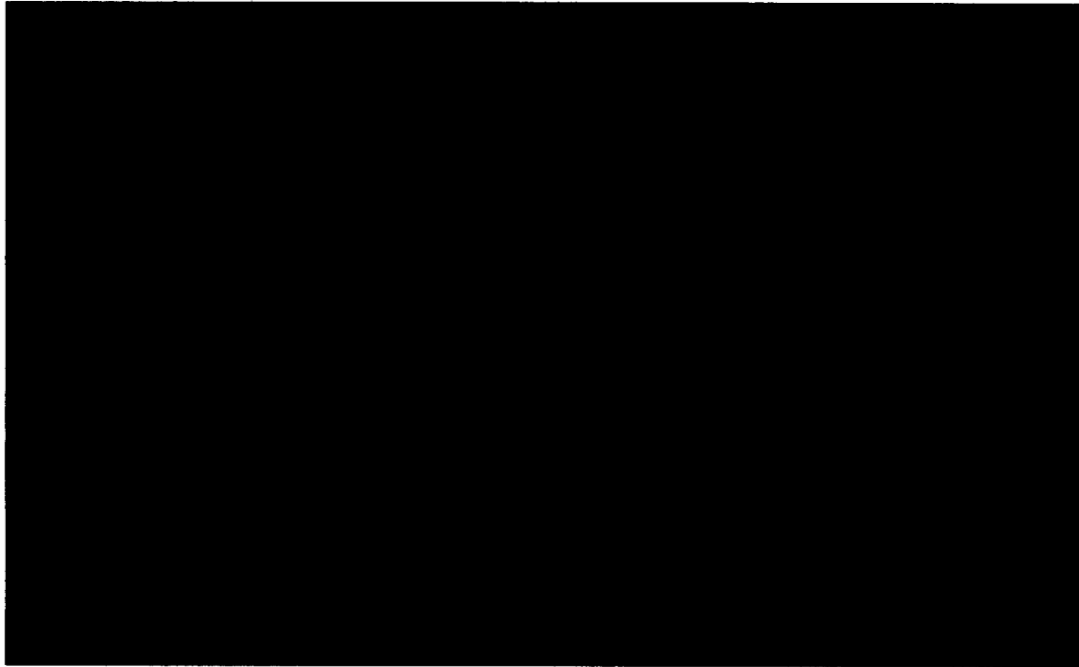
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**RockTenn in Fernandina Beach
Estimate
20" Replacement Pipe on Kings Ave.**

█	Miles	20" Pipeline	█
█	Feet	Meter and Regulator Stations	█
█	Cost per Foot	Contingency	█
█	Cost per Mile	Total	█

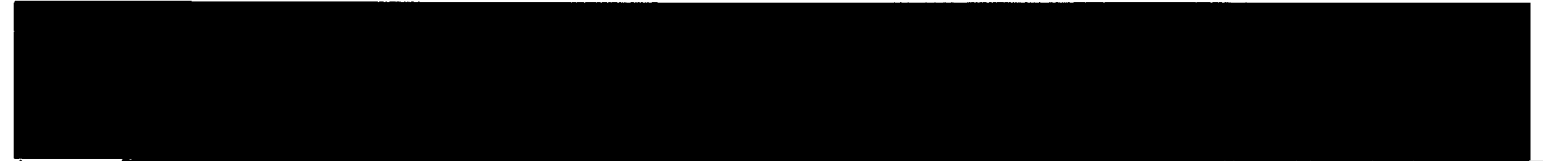
20" Pipeline				
Est.	Units	Description	Unit Cost	Extended Cost



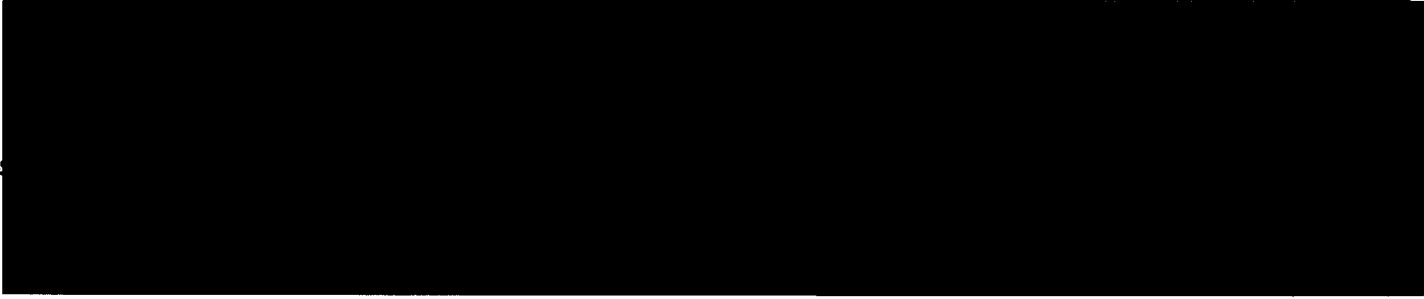
open lay

bore

2 valves



pipe
install
permit
NDE
inspection



county line to plant



12/06/2011

Alloc Cap - County Line

Fernandina Beach Capital Cost Allocations.xlsx

	Deletherms	12 Inch to City Line	Total To City Line	City Line to BKT	Total	12 Inch to City Line	City Line to BKT	Total
Rock Tenn PH 1								
Total								

Amelia Island Expansion

Description	% Ownership		Cost			Contingency			Cost, Excluding Contingency		
	PGS	Peninsula	PGS	Peninsula	Total	PGS	Peninsula	Total	PGS	Peninsula	Total
Jacksonville-County Line: 16.2 mile	100.00%										
River Crossing	54.54%	45.46%									
County Line-RockTenn, Ex. River Crossing	54.54%	45.46%									
County Line - RockTenn: 16.9 miles	54.54%	45.46%									
20" Loop: 2.25 mile upgrade to 20"	100.00%										
Total: 33.1 miles											

Total Project:

1. The total estimated cost to construct the Fernandina Beach Line including the Amelia River crossing is [REDACTED] (including [REDACTED] for contingency).
2. The total estimated cost of the Amelia Island River crossing is [REDACTED] (including [REDACTED] contingency).
3. The total cost of the Fernandina Beach Line exclusive of the Amelia Island Crossing is [REDACTED] (including [REDACTED] contingency).

FPUC – Amelia River Crossing Construction:

1. PGS shall be responsible for 54.54% of the actual costs of the Amelia River Crossing up to [REDACTED]
2. PPC shall be responsible for 45.46% of the actual costs of the Amelia River Crossing plus all cost in excess [REDACTED]

PGS – Remaining Fernandina Beach Line Construction:

1. PGS shall be responsible for 54.54% of actual cost the Fernandina Beach Line (exclusive of the Amelia Crossing) plus all cost in excess of [REDACTED]
2. PPC will be responsible for 45.46% of actual cost the Fernandina Beach Line (exclusive of the Amelia River Crossing) up to [REDACTED]

		54.54%	45.46%
<u>PGS Cost Estimate</u>	<u>Project Costs</u>	<u>PGS Share</u>	<u>PPC Share</u>
Total Project Costs	[REDACTED]		
Amelia River Crossing	[REDACTED]		
Remainder of FB Line	[REDACTED]		
		54.54%	45.46%
<u>FPUC Cost Estimate</u>	<u>Project Costs</u>	<u>PGS Share</u>	<u>PPC Share</u>
Total Project Costs	[REDACTED]		
Amelia River Crossing	[REDACTED]		
Remainder of FB Line	[REDACTED]		

2012 RockTenn - 20 Inch System Upgrade (#1)
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1-15		Customers		Estimated Annual Therms	
					ROE	ROA	Residential	Commercial	Residential	Commercial
With Terminal Value										
Without Terminal Value										

Capital Investment	
--------------------	--

	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2017 Year 6	2018 Year 7	2019 Year 8	2020 Year 9	2021 Year 10	2022 Year 11	2023 Year 12	2024 Year 13	2025 Year 14	2026 Year 15	With Terminal Value
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After-Tax Net Cash Flow																
Current Year																
Cumulative																
NOTE (1) - The year when the original investment is recouped.																
Net Income																
Current Year																
Cumulative																
Capital Investment																
Current Year																
Cumulative																
Customer Deposit																
CIAC (Developer or Builder Provided)																
EC Payments for CIAC																
MEP Payments																
070 Payments																
Net Capital : Cumulative																
Customer Profile																
Current Year - Residential																
Cumulative - Residential																
Current year - Commercial																
Cumulative - Commercial																
ROE																
ROA																

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2012 RockTenn in Fernandina Beach - To County Line (#2)
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1-15		Customers		Estimated Annual Thems	
With Terminal Value					ROE	ROA	Residential	Commercial	Residential	Commercial
Without Terminal Value										

Capital Investment	
--------------------	--

	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2017 Year 6	2018 Year 7	2019 Year 8	2020 Year 9	2021 Year 10	2022 Year 11	2023 Year 12	2024 Year 13	2025 Year 14	2026 Year 15	With Terminal Value
After-Tax Net Cash Flow																
Current Year																
Cumulative																
NOTE (1) - The year when the original investment is recouped.																
Net Income																
Current Year																
Cumulative																
Capital Investment																
Current Year																
Cumulative																
Customer Deposit																
CIAC (Developer or Builder Provided)																
EC Payments for CIAC																
MEP Payments																
OTD Payments																
Net Capital : Cumulative																
Customer Profile																
Current Year - Residential																
Cumulative - Residential																
Current year - Commercial																
Cumulative - Commercial																
ROE																
ROA																

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2012 RockTenn Joint Project PGS/PPC (#3)
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1- 15		Customers		Estimated Annual Thems							
					ROE	ROA	Residential	Commercial	Residential	Commercial						
With Terminal Value																
Without Terminal Value																
Capital Investment																
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	With Terminal Value
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15		
After-Tax Net Cash Flow																
Current Year																
Cumulative																
NOTE (1) - The year when the the original investment is recouped.																
Net Income																
Current Year																
Cumulative																
Capital Investment																
Current Year																
Cumulative																
Customer Deposit																
CIAC (Developer or Builder Provided)																
EC Payments for CIAC																
MEP Payments																
070 Payments																
Net Capital : Cumulative																
Customer Profile																
Current Year - Residential																
Cumulative - Residential																
Current year - Commercial																
Cumulative - Commercial																
ROE																
ROA																

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2012 RockTenn and Fernandina Beach - TOTAL
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1-15		Customers		Estimated Annual Theme	
					ROE	ROA	Residential	Commercial	Residential	Commercial
With Terminal Value										
Without Terminal Value										

Capital investment	
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	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2017 Year 6	2018 Year 7	2019 Year 8	2020 Year 9	2021 Year 10	2022 Year 11	2023 Year 12	2024 Year 13	2025 Year 14	2026 Year 15	With Terminal Value
After-Tax Net Cash Flow																
Current Year																
Cumulative																
NOTE (1) - The year when the the original investment is recouped.																
Net Income																
Current Year																
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Customer Deposit																
CIAC (Developer or Builder Provided)																
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MEP Payments																
070 Payments																
Net Capital : Cumulative																
Customer Profile																
Current Year - Residential																
Cumulative - Residential																
Current year - Commercial																
Cumulative - Commercial																
ROE																
ROA																

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**PEOPLES GAS SYSTEM
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- 9.** Please explain how the usage charge was determined and how and when the usage charge will be applicable.
 - A.** The usage charge is a negotiated rate that is meant to be competitive with other pipeline alternatives PPC may have in the future. The usage charge will be applicable on volumes consumed on a daily basis that are greater than 7,500 dekatherms.