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Public Service Commission

May 15, 2012

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

STAFF'S FIRST 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. What procedures will FPUC and Chesapeake (the Companies) use to determine the order of replacement of cast iron and bare steel pipelines?
2. How many leaks, by cause, have occurred in bare unprotected steel and cast iron pipeline, respectively, during the past 10 years (annually for 2002-2011)?
3. Will the Companies agree to provide quarterly reports to the Commission on the progress of their replacement programs, 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?
4. Will the Companies use the standard notice of construction to the Commission so that the Commission's engineers can evaluate the construction of the replacement pipeline?
5. What is the current leak history of Chesapeake bare steel surveys?
6. Is the current replacement of the program-eligible infrastructure plan in use by FPUC the approved plan from the 2004 rate case proceeding? If yes, give the miles of program-eligible pipeline replaced from 2004 through 2011; if no, what replacement program has been in use since the 2008 rate case proceeding?
7. What type of materials and methods of replacement will be used for the replacement pipeline?

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To Chesapeake

8. For the purposes of the following request, please refer to attachment E of the Companies' petition. Please detail by account all investments and their associated depreciation rates for which the Company is seeking recovery under its GRIP.
9. Are any depreciation rates shown on Attachment E of the Companies' petition composite rates? If so, please detail how the Company computed any composite rates.
10. Please identify the Commission order authorizing the depreciation rates contained in question 8 above.
11. Does the Company envision physically removing piping replaced under the GRIP? Will any investment be abandoned in place?
12. Please detail how the Company will record the cost of removal component of the existing pipe being replaced.
13. How does the Company envision the Commission will verify the actual costs associated with Chesapeake's petition?

To FPUC

14. For the purposes of the following request, please refer to attachment D of the Companies' petition. Please detail all investment types and associated depreciation rates for which the Company is seeking recovery of under its GRIP.
15. Are any depreciation rates shown on Attachment D of the Company's petition composite rates? If so, please detail how the Company computed any composite rates.
16. Please identify the Commission order authorizing the depreciation rates contained in question 14 above.
17. Does the Company envision physically removing piping replaced under the GRIP? Will any investment be abandoned in place?
18. For the purposes of the following request, please refer to page 9-10, paragraph 18 of the Companies' petition. Please detail and provide a sample calculation of how the Company would credit the GRIP mechanism for the amounts currently embedded in base rates.
19. Please detail how the Company will record the cost of removal component of the existing pipe being replaced.
20. How does the Company envision the Commission will verify the actual costs associated with FPUC's petition?

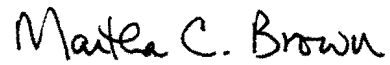
21. Please refer to the Companies' Integrity Management Plan, which is identified as Attachment A of the petition. How can the FPUC data presented in the Integrity Management Plan be distinguished from the Chesapeake data?
  22. Please refer to the petition, page 3, where the petition states that the amended Federal Pipeline Safety Regulations, which became effective February 12, 2010, "emphasized the need for enhanced bare steel replacement." Please provide the specific rule language and citations supporting this statement.
  23. Please refer to Page 4, section 6 of the petition. What is the status of the Advanced Notice of Proposed Rulemaking of August 25, 2011?
  24. Please refer to Page 4, section 6 of the petition. Specifically, how does the Advanced Notice of Proposed Rulemaking of August 25, 2011, by the Department of Transportation/Pipeline and Hazardous Material Safety Administration bear on the importance of enhanced bare steel replacement for FPUC and Chesapeake?
  25. Please reference the Integrity Management Plan, Appendix D, page 102, and the petition, pages 10 and 11, section 20. For FPUC and Chesapeake individually, explain in detail how their proposed replacement program prioritizes the replacement schedule for cast iron pipe and bare steel pipe (No CP) based on highest risk areas/segments, and which criteria were used to prioritize facility replacements.
  26. Please explain how FPUC's and Chesapeake's replacement plans were developed and ultimately approved by company management, including the timeline, actions taken, and individuals responsible.
  27. Will the diameter of the new pipes installed under the GRIP be the same diameter of the replaced bare steel pipes? If not, please explain why.
  28. Please refer to Page 8 of the petition, section 14, which details how the Commission approved a 50 year replacement period and related amortization of bare steel pipeline for FPUC in its 2008 rate case. For purposes of the petition, how did FPUC and Chesapeake determine that 10 years was the appropriate period to replace all of their cast iron and bare steel pipeline facilities?
  29. What were FPUC's and Chesapeake's annual bare steel and steel tubing replacement miles (by mains and services), primary replacement locations (e.g. West Palm Beach, Broward County, etc.), and installation capital costs and expense from 2005 through 2011?
  30. What were the selection criteria used to determine which of the companies' specific bare steel pipeline and steel tubing would be replaced from 2005 through 2011 for FPUC and Chesapeake?
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31. Please refer to Page 7 of the petition. What is the specific content and dates for the GRIP filings the Companies contemplate in the review and approval of proposed GRIP surcharges? Provide copies of the format of such forms if available.
32. Chesapeake only. Please refer to the petition, page 11, section 20. Please provide support for the assumption that the per unit costs of Chesapeake's eligible replacement mains and services are the same as FPUC's initial surcharge calculations.
33. What specific process does FPUC and Chesapeake propose in submitting its GRIP rate requests (e.g. evidentiary hearing held in conjunction with the fuel clause and other clauses, limited proceeding, proposed tariffs, etc.) and why are the Companies proposing that process?
34. What are FPUC's and Chesapeake's estimated GRIP factors per therm for their respective GRIP programs for the period July 1, 2014, through June 30, 2022, assuming a rate case is not concluded before then? Please include calculations used in the development of the factors, including revenue requirements by class and therm usage by class.
35. What is FPUC's and Chesapeake's estimated average annual customer rate impact of GRIP for each customer class for 2012 through 2022? Please show calculations.
36. What is Chesapeake's estimated annual customer rate impact of GRIP based on the FTS-A, FTS-B, and FTS-1 rate schedules for 2012 through 2022? Please show calculations.
37. What are the actual costs to serve Chesapeake's customers under each of the following rate schedules: FTS-A, FTS-B, and FTS-1?
38. Please explain when the GRIP surcharge would terminate.
39. Please refer to the petition, page 6, section 11. The petition states that the requested programs' revenue requirements include a return on investment calculated using the equity and debt components of the weighted average cost of capital from each Company's respective prior rate case. Would each Company's most recent actual weighted average cost of capital per the companies' March 30, 2012, earnings surveillance reports more accurately reflect the GRIPs' revenue requirements than the weighted average cost of capital from each company's last rate cases?
40. Would the Companies agree to use the most recent actual weighted cost of capital reflected in the Companies' March 30, 2012 earnings surveillance reports as opposed to the weighted average cost of capital from the companies' last rate cases?
41. Please provide revised Attachments D, E, and F of the petition reflecting the most recent weighted average cost of capital, including the allowed return on equity from each Company's last rate case, reflected in the Companies' March 30, 2012 earnings surveillance reports.

Beth Keating  
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Please file the original and five copies of the requested information by Thursday, May 31, 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  
Division of Economic Regulation (McNulty)