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IN REPLY REFER TO:

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

May 24, 2012

VIA FEDEX

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

RECEIVED-FPSC
12 MAY 25 PM 3:34
COMMISSION
CLERK

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


Dear Ms. Cole:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original and five (5) copies of Peoples' **REVISED RESPONSE** to No. 6 of the Commission Staff's Second Data Request dated February 21, 2012 in the above docket.

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.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a
Enclosures

COM _____
APA _____
ECR 3
GCL 1
RAD _____
SRC 1
ADM _____
OPC _____
CLK _____

cc: Martha C. Brown, Esquire
Charles J. Rehwinkel, Esquire
Ms. Kandi M. Floyd

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

PEOPLES GAS SYSTEM
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6. Please refer to paragraph 12 of the petition and explain how Peoples recovered its replacement cost for the period 2000 – 2008 (i.e., prior to the 2009 test year in Peoples' last rate case)
- A. Peoples' initial response to this request read: "During 2000 – 2008, Peoples recovered its replacement cost for cast iron and bare steel pipe replacements through its base rates." This response was not entirely correct.

Assuming Peoples made capital expenditures of exactly \$1 million in each of the years mentioned for the replacement of cast iron and bare steel pipe, the Company did not begin to earn a return on, or recover depreciation expense associated with, the \$1 million expenditure made in each of 2000, 2001, 2002 and 2003 until new base rates went into effect at the end of 2003 (when the new base rates established in Docket No. 020384-GU became effective). The Company did not earn a return on, or recover depreciation expense associated with, the \$1 million expenditure made in each of 2004, 2005, 2006, 2007 and 2008 until the new base rates based on the 2009 projected test year in Docket No. 080318-GU (Peoples' most recent rate case) went into effect.

It should be noted that in calculating the CI/BSR Revenue Requirements and CI/BSR Surcharges to be recovered through the rider for which approval is sought in this docket, Peoples will subtract from the Mains category of "Gross Plant" shown in the calculations on Tariff Sheet 7.806-2 the sum of \$1 million; that is, Peoples will recover through the surcharges developed under the rider only the return on, and depreciation and ad valorem tax expense associated with, capital expenditures for Eligible Replacements each year in excess of \$1 million. The Company would forego beginning to earn a return on (and the recovery of depreciation and tax expense associated with) these \$1 million capital expenditures until they are included in rate base for ratemaking purposes in a future base rate proceeding. This will preserve the Company's 2000 commitment to spend approximately \$1 million annually for the replacement of the cast iron and bare steel pipe in its system.

The substance of this revised response has been incorporated in revised tariff sheets filed in response to Staff's Fourth Data Request, which clarify that the rider is designed to recover only the incremental costs associated with the

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capital expenditures needed for the accelerated replacement of the involved infrastructure.¹

¹ No change as a result of this clarification is required in Exhibits C, D or E (as revised in response to Staff Data Requests) inasmuch as they have all been based on recovery of costs associated with only \$7 million of the proposed \$8 million annual capital expenditures for cast iron/bare steel replacement.