

Eric Fryson

From: Keating, Beth [BKeating@gunster.com]
Sent: Thursday, May 31, 2012 12:20 PM
To: Filings@psc.state.fl.us
Cc: Martha Brown; 'Martin, Cheryl'
Subject: Docket No. 120036-GU
Attachments: 20120531115007674.pdf

Attached for electronic filing in the referenced Docket, please find Florida Public Utilities Company's responses to Staff's Second Set of Data Requests in the referenced Docket.

a. Person responsible for this electronic filing:

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b. 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.

c. On behalf of: Florida Public Utilities Company

d. There are a total pages: 3

e. Description: Responses to Second Set of Data Requests



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May 31, 2012

VIA E-MAIL FILINGS@PSC.STATE.FL.US

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

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. Cole:

Attached for electronic filing in the referenced docket, please find Florida Public Utilities Company's responses to Staff's Second Data Requests.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
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DOCUMENT NUMBER DATE

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Staff's Second 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.

- 1. The 2009-2011 average installation cost per mile of replacement pipeline mains based on FPUC's 2009, 2010, and 2011 Annual Replacement Reports filed with the Division of Economic Regulation is $\$174,258$ ($\$190,002 + \$427,943 + \$1,162,557$) / $(19,062 \text{ feet} + 14,086 \text{ feet} + 20,861 \text{ feet})/5,280 \text{ feet/mile}$. The proposed per mile installation cost of replacement pipeline mains based on the joint Petition, Attachment D, Schedule A for 7/1/2012 to 6/30/2022 is $\$127,459$. Please explain the reasons for the difference in the actual and projected per mile main installation costs.**

The Company's original estimate was based on data known at the time of the last FPUC rate proceeding. Historical data was used for the analysis at that time. Depending on the conditions of the area for installation, requirements for resources and labor depending on the complexity and location of the mains and services and the current market prices of materials and labor, actual pricing will differ from historical pricing and projections.

Also, despite recent prices increases over the levels experienced during the rate proceeding data, additional price fluctuations may occur in either direction due to inflationary changes, or efficiency realizations due to economy of scales on the number of mains and services replaced in the future.

At the time of the Company's GRIP surcharge filing, the Company used the data approved during the last rate proceeding for price estimates. The amounts used in the rate proceeding were reviewed by the FPSC staff, and for the first surcharge period the Company felt this was the best estimate to use for the surcharge. The surcharge has a true up mechanism proposed that will provide a method to adjust the surcharge for any difference between projected and actual investment cost.

- 2. Please refer to the joint Petition, Exhibit CMM-2. The 2009-2011 average installation cost per mile of replacement pipeline services based on FPUC's 2009, 2010, and 2011 Annual Replacement Reports filed with the Division of Economic Regulation is $\$1,556$ ($\$68,872 + \$146,892 + \$137,361$) / $(62 \text{ units} + 99 \text{ units} + 66 \text{ units})$). The proposed per unit installation cost of replacement pipeline service based on the joint Petition, Attachment D, Schedule A for 7/1/2012 to 6/30/2022 is $\$814$. Please explain the reasons for the difference in the actual and projected per unit service installation costs.**

The Company's original estimate was based on data known at the time of the last FPUC rate proceeding. Historical data was used for the analysis at that time. Depending on the conditions of the area for installation, requirements for resources and labor depending on the

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complexity and location of the mains and services and the current market prices of materials and labor, actual pricing will differ from historical pricing and projections.

Also, despite recent prices increases over the levels experienced during the rate proceeding data, additional price fluctuations may occur in either direction due to inflationary changes, or efficiency realizations due to economy of scales on the number of mains and services replaced in the future.

At the time of the Company's GRIP surcharge filing, the Company used the data approved during the last rate proceeding for price estimates. The amounts used in the rate proceeding were reviewed by the FPSC staff, and for the first surcharge period the Company felt this was the best estimate to use for the surcharge. The surcharge has a true up mechanism proposed that will provide a method to adjust the surcharge for any difference between projected and actual investment cost.