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IN REPLY REFER TO:

Ansley Watson, Jr.  
P.O. Box 1531  
Tampa, Florida 33601  
e-mail: [aw@macfar.com](mailto:aw@macfar.com)

**REDACTED**

March 19, 2015

VIA FEDEX

Carlotta S. Stauffer, Director  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RECEIVED - FPSC  
15 MAR 20 AM 11:49  
COMMISSION  
CLERK

Re: Docket No. 150053-GU -- Petition for approval of a special contract with Nopetro-Orlando, LLC, by Peoples Gas System

Dear Ms. Stauffer:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original and six (6) copies of (A) Revised Exhibit C to the petition and (B) Peoples' responses to the Commission Staff's First Data Request in the above docket. You will note that portions of the revised exhibit and 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.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a  
Enclosures

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

COM \_\_\_\_\_  
AFD \_\_\_\_\_  
APA \_\_\_\_\_  
ECO 3  
ENG \_\_\_\_\_  
GCL 3  
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**REVISED EXHIBIT C**  
**COST OF SERVICE STUDY**

Cost of Service Study  
NoPetro Orlando  
Peoples Gas System, a Division of Tampa Electric Company

Cost of Service

Line	Description	Amount
1	Operation and Maintenance	██████████
2	Depreciation	4.20% ██████████
3	Taxes other than Income	██████████
4	Income Taxes	██████████
5	Return Requirements	██████████
6	<b>Total Cost of Service</b>	██████████
7	<b>Projected Annual Average Revenue</b>	██████████

PEOPLES GAS SYSTEM  
DOCKET NO. 150053-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 1  
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1. Why does Peoples consider the Letter of Authorization (LOA) to be a special contract requiring Commission approval?
  - A. Rule 25-9.034(1), F.A.C., provides in part that a contract entered into by a utility "for the sale of its product or services in a manner or subject to . . . provisions not specifically covered by its filed regulations and standard approved rate schedules . . . ."

An executed Letter of Authorization ("LOA") is required of any customer desiring to receive transportation service from Peoples under the Company's Natural Choice Transportation Service Rider ("Rider NCTS") as opposed to the Company's Individual Transportation Service Rider ("Rider ITS"). Rider ITS customers acquire the gas they burn pursuant to contracts with gas producers or marketers in which the customer and the producer/marketer are the only parties. Rider NCTS customers acquire the gas they burn at their facilities from a gas marketer as part of a customer pool from a marketer that is a "pool manager" on the Peoples distribution system, and that acquires gas to meet the requirements of all customers in the "pool" of customers. The LOA executed by a Rider NCTS customer is a contract setting forth the terms and conditions under which the Company will provide gas transportation service to the customer (just as is the Gas Transportation Agreement executed by a Rider ITS customer).

NoPetro desires to acquire the gas it will compress and deliver as CNG as a part of a customer pool, and thus has executed the LOA required to receive service under the Company's Rider NCTS. Addendum A to the LOA for which Peoples seeks the Commission's approval in this docket contains a rate and other provisions that are not "specifically covered by [Peoples'] filed regulations and standard approved rate schedules" (i.e., the rate and terms and conditions are not contemplated by Rider NCTS). Therefore, Peoples determined that Commission approval of the LOA (as modified by Addendum A thereto) as a special contract was required.

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2. What is the projected cost to install the 5.1 miles of 6-inch steel pipe extension to provide service to NoPetro?
  - A. NoPetro was allocated [REDACTED] or approximately [REDACTED] of the expansion project's total cost of [REDACTED], which includes the 5.1 miles of 6-inch steel pipeline and the requisite updated gate station.

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3. How long will it take to recover the cost of the facilities extension? Please provide the calculations illustrating the length of the recovery period.
- A. It will take approximately five years and one month to recover the cost of the facilities to serve NoPetro.

NoPetro Facility Cost Recovery Period					
				\$	██████████
Year	Revenue	Cumulative Revenue	Facility NBV	Facility Cost less Depreciation	
1	██████████	██████████	██████████	██████████	
2	██████████	██████████	██████████	██████████	
3	██████████	██████████	██████████	██████████	
4	██████████	██████████	██████████	██████████	
5	██████████	██████████	██████████	██████████	
6	██████████	██████████	██████████	██████████	
7	██████████	██████████	██████████		
8	██████████	██████████	██████████		
9	██████████	██████████	██████████		
10	██████████	██████████	██████████		
11	██████████	██████████	██████████		
12	██████████	██████████	██████████		
13	██████████	██████████	██████████		
14	██████████	██████████	██████████		
15	██████████	██████████	██████████		

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4. Exhibit B to the petition specifies that NoPetro will pay a distribution charge as set forth in Rate Schedule GS-5 plus an "additional amount" to allow People to recover its cost of service and the facilities extension. Is the "additional amount" the difference between the \$0.11321 per therm shown in Rate Schedule GS-5 and the confidential per therm charge specified in Addendum A, paragraph (a), to the LOA? If not, please provide the additional amount.

A. Yes.

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5. In addition to the Distribution Charge of Rate Schedule GS-5, will NoPetro also be subject to the following Special Conditions fees specified in Rate Schedule GS-5? If not, please explain why.
- Swing Service Charge
  - Energy Conservation Cost Recovery Adjustment Clause
  - Competitive Rate Adjustment Clause
  - Tax and Fee Adjustment Clause
  - Cast Iron Bare Steel Replacement Rider Surcharge

A. Yes.

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6. Please provide the calculations arriving at the "annual average revenues" shown in Exhibit B to the petition.

A.

NoPetro Revenue Calculation - Orlando Years 1 - 3

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████
2	Jul	██████████	██████████	\$ 300	██████████
3	Aug	██████████	██████████	\$ 300	██████████
4	Sep	██████████	██████████	\$ 300	██████████
5	Oct	██████████	██████████	\$ 300	██████████
6	Nov	██████████	██████████	\$ 300	██████████
7	Dec	██████████	██████████	\$ 300	██████████
8	Jan	██████████	██████████	\$ 300	██████████
9	Feb	██████████	██████████	\$ 300	██████████
10	Mar	██████████	██████████	\$ 300	██████████
11	Apr	██████████	██████████	\$ 300	██████████
12	May	██████████	██████████	\$ 300	██████████
				\$ 3,600	██████████

NoPetro Revenue Calculation - Orlando Year 4 - 6

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████
2	Jul	██████████	██████████	\$ 300	██████████
3	Aug	██████████	██████████	\$ 300	██████████
4	Sep	██████████	██████████	\$ 300	██████████
5	Oct	██████████	██████████	\$ 300	██████████
6	Nov	██████████	██████████	\$ 300	██████████
7	Dec	██████████	██████████	\$ 300	██████████
8	Jan	██████████	██████████	\$ 300	██████████
9	Feb	██████████	██████████	\$ 300	██████████
10	Mar	██████████	██████████	\$ 300	██████████
11	Apr	██████████	██████████	\$ 300	██████████
12	May	██████████	██████████	\$ 300	██████████
				\$ 3,600	██████████

NoPetro Revenue Calculation - Orlando Years 7 - 15

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████

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2	Jul	██████████	██████████	\$	300	██████████	
3	Aug	██████████	██████████	\$	300	██████████	
4	Sep	██████████	██████████	\$	300	██████████	
5	Oct	██████████	██████████	\$	300	██████████	
6	Nov	██████████	██████████	\$	300	██████████	
7	Dec	██████████	██████████	\$	300	██████████	
8	Jan	██████████	██████████	\$	300	██████████	
9	Feb	██████████	██████████	\$	300	██████████	
10	Mar	██████████	██████████	\$	300	██████████	
11	Apr	██████████	██████████	\$	300	██████████	
12	May	██████████	██████████	\$	300	██████████	
		██████████		\$	3,600	██████████	██████████
						Average Annual Rev	██████████
							██████████

The Average Annual Revenue above differs from that shown in the Cost of Service Study attached to the petition as Exhibit C. The above numbers are correct. A number used to derive the Average Annual Revenue shown on Exhibit C to the petition as filed contained a transposition. A Revised Exhibit C to the petition accompanies these responses to Staff's data request.

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7. Does NoPetro have the ability to bypass Peoples and/or obtain the service it needs from elsewhere?

A. Yes.

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8. Referring to Exhibit C to the petition, please explain and show the derivation of the amount shown in Line 1, Operation and Maintenance.

A.

Cost of Service Study  
 NoPetro Orlando  
 Peoples Gas System, a Division of Tampa Electric Company

Estimated O&M Expense

Line	Description	Amount
1	Meter (prove) - 8 hours/year @ [REDACTED] hour	NA
2	Repaint station(s) every 2 years @ \$2,500 each	NA
3	Maintenance and calibration of EFM Equipment [REDACTED] 8 hours/year	NA
	replacement board	NA
	replacement modem	NA
	replacement battery (5 years)	NA
	Misc. materials	NA
4	Annual Regulator Testing and Repair (4 hours) [REDACTED] Misc. materials	[REDACTED]
5	Line Maintenance - CP, Leak Surveys, Locates [REDACTED]	[REDACTED]
6	Miscellaneous Expense	[REDACTED]
7	Total Estimated O&M Expenses	[REDACTED]

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9. Referring to Exhibit C to the petition, please explain and show the derivation of the amount shown in Line 5, Return Requirements.
- A. The Line 5 Return Requirements is a product of PGS' overall cost of capital (6.64%) derived from PGS' December 31, 2013 Earnings Surveillance Report multiplied by the gross investment in plant less depreciation.

Cost of Service Study  
 NoPetro Orlando  
 Peoples Gas System, a Division of Tampa Electric Company  
Calculation of Rate Base, Return Requirements and Income Taxes

Line	Description	Amount
1	Gross investment in plant	██████████
2	Less: credit to capital	██████████
3	Less: Accumulated depreciation @ 4.20%	██████████
4	13 month average rate base	██████████
5	Overall cost of Capital (December 31, 2013 ESR) (2)	6.64%
6	Return requirements	██████████
7	Revenue > Return Requirements	██████████
8	Less: Interest on Debt	██████████
9	Net Income after Taxes	██████████
10	Divided by 1-tax rate	61.41%
11	Taxable income	██████████
12	Income Taxes @ 38.595%	██████████

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10. Exhibit B mentions Peoples providing service to NoPetro over the initial 15-year term of the LOA, while Exhibit D to the petition mentions a 20-year fueling arrangement term between NoPetro and LYNX. What payments will NoPetro make to Peoples during the years 15 to 20?
  - A. In years 15 through 20, NoPetro will be served under PGS' otherwise applicable rate schedule, currently GS-5.

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- 11.** Exhibit D to the petition notes that LYNX has committed to a minimum annual take-or-pay commitment of 500,000 Diesel Gallon Equivalent (DGE) for 15 years. How many therms is the committed amount?
  - A.** The Lynx 500,000 Diesel Gallon Equivalent (DGE) equals 695,000 therms per year or 10,425,000 therms over the 15 year term.