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IN REPLY REFER TO:

Ansley Watson, Jr.
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April 23, 2015

VIA FEDEX

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

REDACTED

Re: **Docket No. 150094-GU -- Petition for approval of amendment to special contract with Peninsula Pipeline Company, by Peoples Gas System**

REQUEST FOR CONFIDENTIAL TREATMENT

Dear Ms. Stauffer:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original and seven (7) copies of Peoples' Request for Confidential Treatment with respect to portions of Peoples' responses to the Commission Staff's First Data Request in the above docket. Enclosed with this filing are one highlighted and two redacted copies of each document for which confidential treatment is sought.

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.

- JOM _____
- AFD _____
- APA _____
- ECO 4+Redacted
- ENG _____
- GCL 3 AWjr/a
- IDM _____ Enclosures
- TEL _____
- CLK _____

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

RECEIVED - FPSC
15 APR 24 AM 9:30
COMMISSION
CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amendment to)
special contract with Peninsula Pipeline Company,)
by Peoples Gas System.)
_____)

Docket No. 150094-GU

Submitted for Filing:
4-24-15

**PEOPLES GAS SYSTEM'S REQUEST
FOR CONFIDENTIAL TREATMENT**

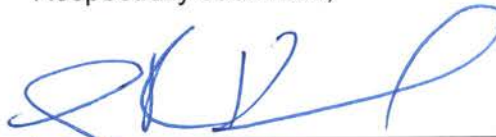
Pursuant to Section 366.093, *Florida Statutes*, Peoples Gas System ("Peoples" or the "Company") submits the following Request for Confidential Treatment of portions of the Company's responses to Staff's First Data Request to the Company in the above docket, which responses are submitted for filing in the above docket concurrently herewith:

1. Attached hereto as Exhibit A is a detailed justification for the requested confidential treatment of the highlighted portions of the Company's responses to the Staff's First Data Requests Nos. 1, 2 and 7.
2. The material for which confidential classification is sought is intended to be and is treated as private by Peoples, and has not been disclosed.
3. Peoples requests that the information for which it seeks confidential classification not be declassified until two months after the expiration of the term of the special contract, Commission approval of the First Amendment to such contract being sought in this docket. Such information consists of the costs for construction of additional facilities required to provide interstate pipeline transportation capacity and gas transportation service to Peninsula Pipeline Company ("Peninsula") and other customers, information from which such costs could be arithmetically determined, information from which the rates at which service will be provided to Peninsula could be arithmetically determined, hourly rates at which Peoples performs certain operation and maintenance tasks, and other information Peoples considers proprietary and confidential, and does not disclose. The detailed justification for non-disclosure of the

highlighted portions of Peoples' responses to portions of its responses to Staff's First Data Requests Nos. 1, 2 and 7 (see Exhibit A attached hereto) also establishes good cause for the Commission's finding that the protection from disclosure should extend for a period longer than 18 months (see Section 366.093(4), *Florida Statutes*). The time period requested is necessary to protect the competitive information referenced above from disclosure to Peoples' competitors and to other customers in order to allow Peoples, should it become necessary, to negotiate future gas service arrangements with other customers on favorable terms based on the specific factual circumstances of such customers. The costs of construction, if disclosed, could also hamper Peoples' efforts to contract for goods and services on favorable terms. The period of time requested will ultimately protect Peoples and its customers by any such future arrangements being entered into based only on the facts and circumstances then applicable to the particular customer, contractor or vendor.

WHEREFORE, Peoples submits the foregoing as its request for confidential treatment of the information identified in Exhibit A.

Respectfully submitted,



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Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Request for Confidential Treatment, filed on behalf of Peoples Gas System, has been furnished electronically to Martha F. Barrera, Esquire, Office of General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and Cheryl M. Martin, Peninsula Pipeline Company, 911 South 8th Street, Fernandina Beach, Florida 32034-3706, this 23rd day of April, 2015.



Ashley R. Kellgren

PEOPLES' RESPONSES TO STAFF'S FIRST DATA REQUEST

JUSTIFICATION FOR CONFIDENTIAL TREATMENT OF HIGHLIGHTED INFORMATION

Peoples seeks specified confidential treatment, and non-disclosure pursuant to Chapter 119, *Florida Statutes*, of the information highlighted on the Company's responses to Staff's First Data Request Nos. 1, 2 and 7.

Staff's First Data Request No. 1 – The highlighted information consists of a map reflecting the exact locations of certain Peoples' distribution facilities in Duval and Nassau Counties. This is information Peoples does not disclose, and considers as proprietary and confidential, and constitutes "critical infrastructure information" non-disclosure of which is provided for by the Critical Infrastructure Information Act of 2002 (Subpart B of the Homeland Security Act of 2002).

Staff's First Data Request No. 2 – The highlighted information is the approximate estimated cost of construction for additional facilities required to provide incremental interstate pipeline capacity and gas transportation service to Peninsula and other customers under the special contract with Peninsula previously approved by the Commission, as the same will be amended by the First Amendment thereto, which cost was used in designing the rates to be charged to Peninsula during the term of the special contract as the same is to be amended. It is information directly relating to Peoples' competitive interests which, if made public, "would impair the competitive business" of Peoples in the event it should become necessary to negotiate similar arrangements with this customer, or other customers or potential customers in the future. Section 366.093(3)(e), *Florida Statutes*. Disclosure of the specific costs used to determine the rate(s) required to recover the costs of an expansion of facilities through which Peoples will provide gas service to Peninsula would give other customers or potential customers a benchmark or target to use in negotiations with Peoples, notwithstanding that their particular circumstances may not be the same as, or even similar to, those of Peninsula. In addition, disclosure of these costs would give contractors or vendors from which Peoples would solicit bids for pipeline components or construction (for this expansion or future expansions) a benchmark or target to use in negotiations with Peoples for construction of the involved facilities. Disclosure of this information would impair the efforts of Peoples to contract for goods or services on favorable terms. Section 366.093(3)(d), *Florida Statutes*.

Staff's First Data Request No. 7 – The highlighted information is a calculation of Peoples' incremental cost of service to provide additional interstate pipeline capacity and gas transportation service to Peninsula, from which the cost of construction for the additional facilities required to provide such service to Peninsula could be determined, and which information was used in designing the rates to be charged to Peninsula during the term of the special contract previously approved by the Commission as it is to be amended by the First Amendment thereto. It is information directly relating to Peoples' competitive interests which, if made public, "would impair the competitive business" of Peoples in the event it should become necessary to negotiate similar arrangements with this customer, or other customers or potential customers in the future. Section 366.093(3)(e), *Florida Statutes*. Disclosure of the specific costs used to determine the rate(s) required to recover the costs of an expansion of facilities through which Peoples will provide gas service would give other customers or potential

customers a benchmark or target to use in negotiations with Peoples, notwithstanding that their particular circumstances may not be the same as, or even similar to, those of Peninsula. In addition, disclosure of these costs would give contractors or vendors from which Peoples would solicit bids for pipeline components or construction (for this project or other future projects) a benchmark or target to use in negotiations with Peoples for construction of the involved facilities. Disclosure of this information would impair the efforts of Peoples to contract for goods or services on favorable terms. Section 366.093(3)(d), *Florida Statutes*.

REDACTED

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 1
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

1. Please provide a map showing the location of the new pipeline in relation to existing infrastructure; for example, please show the location of the interconnection with the Southern Natural Gas Cypress Lateral, the location of the new line's terminus at the point of tie-in to the PGS system, and all proposed custody transfer points (if applicable) along the route of the new line.

- A. The requested map showing the location of the new pipeline in relation to existing infrastructure has been redacted.

REDACTED

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 2
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

2. What is the cost to PGS to construct/install the new pipeline (including any necessary appurtenances)? Please include a general description of the types of costs that will be incurred (e.g., materials, labor, permitting, secure right-of-way, etc.) Also, please include the length and diameter of the new pipeline and confirm that it will not be "bare steel" construction.

- A. PGS will design and construct a new gate station connected to the SNG Cypress lateral and install approximately 1.6 miles of 20-inch pipeline connecting the new gate station to PGS' existing 20-inch line that traverses Ford Road in Nassau County, Florida. In addition, PGS will uprate the existing Capper Regulator station. PGS will incur the following costs:

Design – Magnolia River Engineering

Permitting – See data request No. 3

Materials – Piping, regulator station uprate, and new meter station

Land – PGS must purchase approximately 19 acres of property including 80-foot easement and an easement for a 400 foot x 400 foot gate station

The total cost of the facilities described above is approximately [REDACTED] and the pipeline material will not be "bare steel".

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 3
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

3. Will PGS need to obtain approval from any other state or local agencies to construct the pipeline? If the answer is affirmative, please provide a brief description of the approvals that will be required and an estimate of when they will be received.

A. Yes. The following approvals will be required:

1. Environmental permit from FDEP
2. Railroad crossing permit from CSX Railroad
3. FDOT permit to cross US301

PGS has not applied for these permits due to on-going negotiations with effected land owners. Therefore, PGS does not have a time frame for when the permits are expected to be completed. PGS believes that once the applications for the permits are tendered, the permitting process will take less than six months to complete.

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 4
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

- 4.** When does PGS anticipate that construction of the pipeline will commence and what is the estimated completion date?
 - A.** The construction will commence once all land rights and permits have been obtained. (See response to data request No. 3). The estimated completion date will be no later than June 1, 2016.

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 5
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

5. Please refer to Exhibit B to the petition. Please identify and explain the types of costs that the monthly reservation charge (confidential) is designed to recover.
 - A. The reservation charge is designed to recover costs associated with FPUC's allocated portion of the expansion project. Those costs include O&M, depreciation, income taxes, and return.

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 6
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

- 6.** Please refer to Exhibit B to the petition. Please provide the basis for the derivation of the usage charge (confidential) for all quantities delivered by PGS in excess of the Maximum Daily Delivery Quantity (MDQ).

- A.** The usage rate applies only to those volumes used greater than the MDQ. The rate is closely equivalent to the PGS IS rate, and was approved by Commission's Order No. PSC-12-0230-PAA-GU.

PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 7
PAGE: 1 OF 3
FILED: APRIL 24, 2015

7. Please refer to Exhibit C to the petition. Please explain how the amounts (confidential) shown for Operation and Maintenance, Depreciation, Income Taxes, and Return Requirements were derived.

A.

Cost of Service Study
Peninsula Pipeline - Nassau County
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	[REDACTED]
2	Less: credit to capital	-
3	Less: Accumulated depreciation @ 4.20%	[REDACTED]
4	13 month average rate base	[REDACTED]
5	Overall cost of Capital (December 31, 2013 ESR)	6.64%
6	Return requirements	[REDACTED]
7	Revenue > Return Requirements	[REDACTED]
8	Less: Interest on Debt	[REDACTED]
9	Net Income after Taxes	[REDACTED]
10	Divided by 1-tax rate	61.41%
11	Taxable income	[REDACTED]
12	Income Taxes @ 38.595%	[REDACTED]

REDACTED

PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 7
PAGE: 2 OF 3
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Cost of Service Study
Peninsula Pipeline Company - Nassau County
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	Total Cost of Service	██████████

NOTES:

Taxes other than Income - Property Taxes and Revenue Related

2013 Property tax expense	\$	8,978,233
13 month average rate base - 12/31/2013 ESR	\$	<u>662,867,000</u>

Average tax rate 1.35%

Rate Base ██████████

Property Tax Expense ██████████

RAF Percentage 0.50%

Projected Annual Revenue ██████████

Revenue Related Taxes ██████████

Total Taxes Other than Income ██████████

PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 7
PAGE: 3 OF 3
FILED: APRIL 24, 2015

Cost of Service Study
Peninsula Pipeline Company - Nassau County
Peoples Gas System, a Division of Tampa Electric Company

Estimated O&M Expense

Line	Description	Amount
1	Meter (prove) - [REDACTED]	[REDACTED]
2	Repaint station(s) every 2 years @ \$2,500 each	[REDACTED]
3	Maintenance and calibration of EFM Equipment	[REDACTED]
	replacement board	[REDACTED]
	replacement modem	[REDACTED]
	replacement battery (5 years)	[REDACTED]
	Misc. materials	[REDACTED]
4	Annual Regulator Testing and Repair (16 hours)	[REDACTED]
	Misc. materials	[REDACTED]
5	Line Maintenance - CP, Leak Surveys, Locates	[REDACTED]
6	Miscellaneous Expense	[REDACTED]
7	Total Estimated O&M Expenses	[REDACTED]

**PEOPLES GAS SYSTEM
DOCKET NO: 150094-GP
STAFF'S 1ST DATA REQUEST
REQUEST NO. 8
PAGE: 1 OF 1
FILED: APRIL 24, 2015**

- 8.** Did PGS issue a Request for Proposals (RFP) to obtain construction cost estimates for the pipeline from other entities? If the answer is affirmative, please identify all respondents to the RFP and provide an explanation regarding why their proposals were rejected. If the answer is negative, please state why PGS did not solicit competitive bids.

- A.** Construction cost estimates were obtained by a third party engineering firm hired by PGS who met with a single pipeline contractor to develop the initial construction costs. PGS will issue an RFP in order to select the actual contractor who will complete construction of the expansion system.