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IN REPLY REFER TO:

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September 28, 2016

VIA E-PORTAL FILING

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

Re: Docket No. 160201-GU - Petition for approval of 2015 true-up, projected 2016 true-up and 2017 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System

Dear Ms. Stauffer:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please find Peoples' responses to Staff's First Data Request (Nos 1-7).

We appreciate your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a
Attachment

cc: Office of Public Counsel
Ms. Kandi M. Floyd

**PEOPLES GAS SYSTEM
DOCKET NO. 160201-GU
STAFF'S FIRST DATA REQUEST
REQUEST NO. 1
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FILED: SEPTEMBER 28, 2016**

1. Please update the table shown below (Attachment 1, Table 1 from Order No. PSC-15-0572-TRF-GU, issued December 18, 2015 in Docket No. 150203-GU).

**Table 1
Peoples' Pipe Replacement Program Progress**

Year	Main Replacements					Service Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining	Replaced Number of Steel Services	Total Number of Remaining Steel Services
2012			100	354	454		14,978
2013	14	34	86	320	406	907	14,071
2014	4	42	82	278	360	950	13,121
*2015(projected)	13	48	69	230	299	3,521	9,600
2016	13	35	56	195	251	1,300	8,300
2017	13	35	43	160	203	1,300	7,000
2018	13	35	30	125	155	1,300	5,700
2019	13	35	17	90	107	1,300	4,400
2020	13	35	4	55	59	1,300	3,100
2021	4	35	0	20	20	1,300	1,800
2022	0	20	0	0	0	1,800	0

Source: Peoples' response to Commission staff's data request

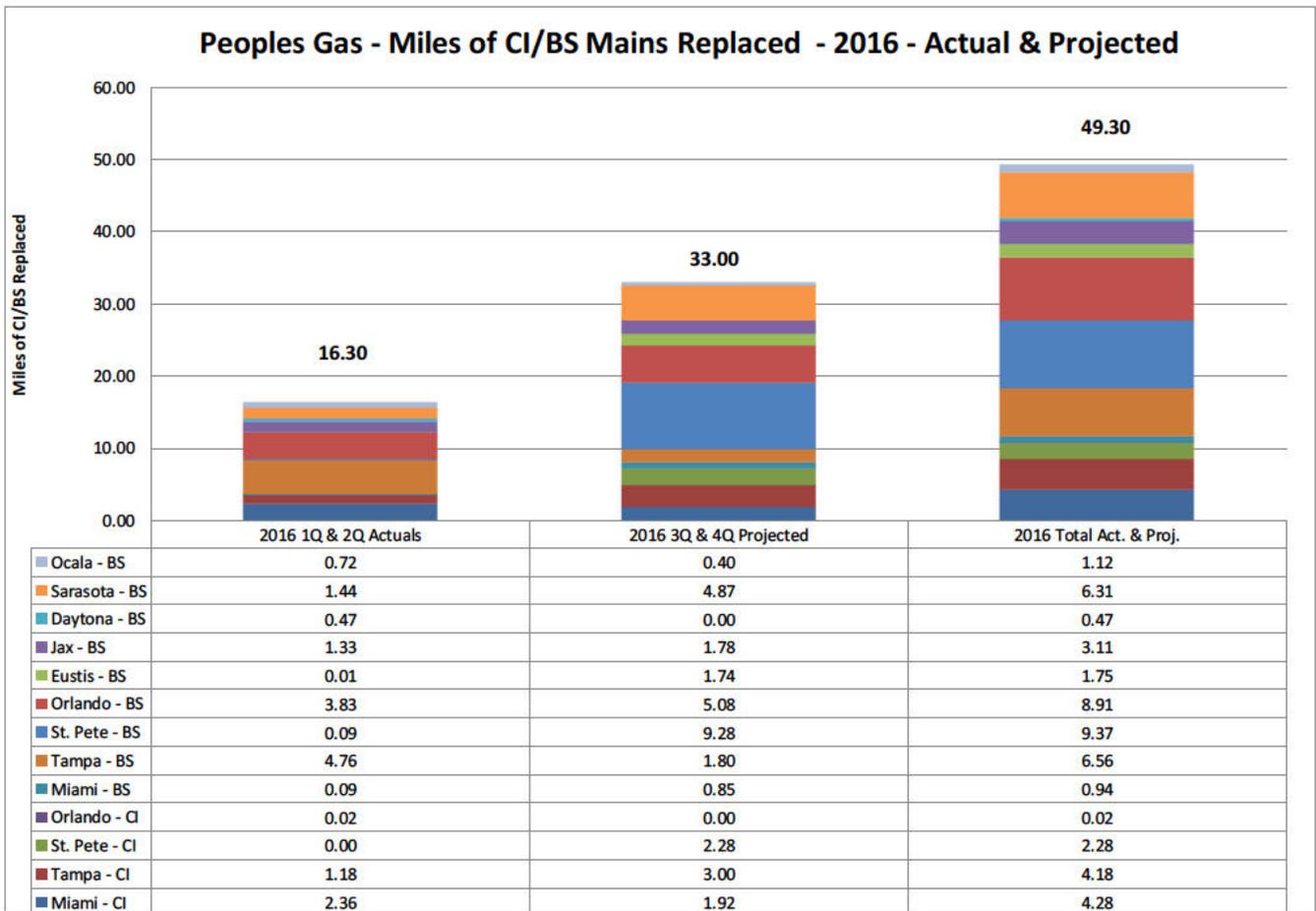
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- A.** Since inception of the program, Peoples previously reported Cast Iron / Bare Steel replacement numbers based on plant accounting records. Peoples has determined that reporting program replacement numbers from the Company's GIS (Geographical Information System) provides a more real-time reporting of information since there is a lag associated with plant records. As such, the numbers reflected in the chart below are reflective of data from GIS.

Year	Main Replacements					Service Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining	Replaced Number of Steel Services	Total Number of Remaining Steel Services
2012			100	354	454		14,978
2013	13	38	87	316	403	907	14,071
2014	2	18	85	298	383	950	13,121
2015	26	60	59	238	297	3,521	9,600
2016 (projected)	9	40	50	198	248	1,600	8,000
2017	10	39	40	159	199	1,400	6,600
2018	10	38	30	121	151	1,400	5,200
2019	10	38	20	83	103	1,300	3,900
2020	10	38	10	45	55	1,300	2,600
2021	10	38	0	7	7	1,300	1,300
2022	0	7	0	0	0	1,300	0

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2. Please provide a general overview of the replacement projects undertaken in/forecast for 2016, including locations.
- A. In 2016, Peoples cast iron and bare steel replacement activity has been in the following locations Ocala, Sarasota, Daytona, Jacksonville, Eustis, Orlando, St. Pete, Miami and Tampa with the larger concentration of replacement in the Orlando, Tampa and St. Pete areas. See chart below for a summary of location, mileage replaced (actual and estimated) and type of material.



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- 3.** Referring to page 3 of Exhibits A and B, please provide the source for the interest rates used.
 - A.** Peoples uses the 30-day AA Financial Commercial Paper Rates published by the Federal Reserve System. For example, to determine the interest rate for July 2016, the Company used the 30-day AA Financial Commercial Paper Rate as of June 30, 2016.

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- 4.** Has Peoples identified any O&M expense savings since its filing in Docket No. 150203-GU? Please explain your response and include the amount of O&M expense savings identified, if applicable.
 - A.** No savings have been identified in O & M expenses since the filing of Docket No. 150203-GU.

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5. Peoples' filing in Docket No. 150203-GU estimated total 2016 replacements as \$11,500,000 (Exhibit C, page 1, line 1a, End of Period Total). In the current filing, Peoples' actual/estimated 2016 replacements are \$12,385,955 (Exhibit B, page 1, lines 1 a, c, and d, End of Period Total, calculated by staff). Please explain the reason for the increase.
 - A. Peoples current projection includes a difference of \$886 thousand or approximately 8 percent more than originally filed and includes 7 months actual and 5 months projected spending through 2016.

Peoples currently budgets capital expenditures of approximately \$12.5 million annually for its cast iron/bare steel replacement program – but it is only a budgeted dollar amount. Peoples attempts to divide that budgeted amount among its operating divisions in order to spread the work load associated with the infrastructure replacements. However, it then looks at the projects eligible under the program. The Company, in making the estimates required for its filings with the Commission under this program, endeavors -- a year prior to when the projects will be commenced (if they are commenced) – to determine when replacement projects will be done, the locations of the projects, the estimated costs of the projects, and the availability of contractors and other resources. Peoples also must consider the DIMP risk-based priorities of these projects, which often shifts the timing of the projects and may also shift capital expenditures from one of the Company's divisions to another. The weather is an unpredictable factor that can override all of the other factors mentioned above. A change in any of the factors considered at the time the work to be done in the future period is projected, and the resulting timing and costs are estimated, will inevitably result in a total cost for a future annual period under this program that differs from the capital spending originally projected (for both budgeting and filing purposes) for that future period.

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- 6.** Please explain the decrease in projected/actual expenditures from \$12,385,955 in 2016 (Exhibit B, page 1, lines 1a, c, and d, End of Period Total, calculated by staff) to \$10,875,000 in 2017 (Exhibit C, page 1, line 1a, End of Period Total).

- A.** See response to Data Request 5.

**PEOPLES GAS SYSTEM
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7. For the following questions, please refer to Peoples' response to staff's first data request, number 5, in Docket No. 150203-GU.
- a. Does Peoples continue to focus its pipeline replacement in urban and high consequence areas?
 - b. Does Peoples continue to use DIMP in determining the replacement projects, as discussed in People? Please explain your answer.
- A.
- a. Yes, the Company's replacement program and its efforts continue to identify and target the replacement need for specific pipeline replacement in the company's more urban and high consequence areas. Peoples utilizes a risk-based prioritization to determine the order of replacement and is primarily identified by the FERC-required DIMP and other factors including leak incident rates, the pressure under which the pipeline is operating, areas of significant construction and the age of the pipeline.
 - b. Yes. See response to 7a.