

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Miami-Dade County through
The Miami-Dade Water and Sewer Department
for Approval of Special Gas Transportation
Service Agreement with Florida City Gas

Docket No. 090539-GU

CONFIDENTIAL

(FULL VERSION)

DIRECT TESTIMONY

OF

FRED SAFFER

**ON BEHALF OF MIAMI-DADE COUNTY WATER AND SEWER
DEPARTMENT**

Attn 5.13.11
DECLASSIFIED

EXHIBIT NUMBER-DATE

10170 DEC 29 0

FPSC-COMMISSION CLERK

DIRECT TESTIMONY
OF
FRED R. SAFFER
TO
THE STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

RE: In re: Petition of Miami-Dade County through
The Miami-Dade Water and Sewer Department for Approval of Special Gas
Transportation Service Agreement with Florida City Gas

Docket No. 090539-GU

December 29, 2010

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DIRECT TESTIMONY OF
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DEPARTMENT

1 **PLEASE STATE YOUR NAME AND OCCUPATION.**

2 My name is Fred R. Saffer. My business address is 1705 Bimini Drive, Orlando, Florida
3 32806. I am a utility consultant and I provide financial engineering and management consulting
4 services to distribution rural electric cooperatives and municipalities, counties, municipal joint
5 action agencies and other governmental entities that own and operate or regulate electric,
6 natural gas, water and wastewater utility systems.

7 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

8 A. In 1960, I was granted a Bachelor of Arts degree from Kansas State University at Emporia
9 (now Emporia State University) with majors in mathematics, physics and English literature. I
10 subsequently completed 32 credit hours toward a MS degree in mechanical engineering.
11 I have over thirty years of direct experience in all phases of public utility management,
12 operations and regulation. I commenced my utility career as a student employee of the Kansas
13 Power & Light Company or KP&L (now Western Resources), a combination electric, natural
14 gas and steam utility, where I later became the Director of Rates and Contracts with
15 responsibility for all of the state and Federal regulatory filings of KP&L. Subsequently, I joined
16 the staff of the New York Public Service Commission ("NYPSC") as a Contract Valuation
17 Engineer in the Power Division. While employed by the NYPSC, I evaluated and testified as to
18 the cost of service, terms and conditions of service and rates and charges of various New York
19 utilities whose electric and natural gas operations were subject to NYPSC jurisdiction.
20 I was then employed as a Senior Consultant with Hess & Lim, Inc., a Washington, D.C.
21 consulting firm whose clients included industrial customers of utilities, municipalities
22 purchasing wholesale electric and natural gas service and state utility commissions. I then
23 joined R. W. Beck and Associates in that firm's Orlando, Florida regional office and was
24 subsequently elected a partner. My practice areas included a broad range of consulting
25 assignments for publicly owned utility systems and municipal joint action agencies. Effective

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1 July 1, 1985, I resigned from that partnership and established a private consulting practice,
2 again specializing in providing professional consulting services to governmental entities and
3 distribution rural electric cooperatives that owns and operate their own utility systems.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN OTHER**
5 **REGULATORY PROCEEDINGS?**

6 A. Yes. I have submitted testimony with regard to utility matters in several proceedings before
7 the Federal Energy Regulatory Commission and various proceedings before the state regulatory
8 commissions of Colorado, Florida, Kansas, Louisiana, Mississippi, New Mexico, New York,
9 North Carolina, Texas, Virginia and West Virginia.

10 **Q. I SHOW YOU WHAT ARE MARKED AS EXHIBIT ____ (FRS-1) TITLED**
11 **CURRICULUM VITAE OF FRED R. SAFFER AND EXHIBIT ____ (FRS-2) TITLED**
12 **TESTIMONY OF FRED R. SAFFER. DID YOU PREPARE THESE EXHIBITS?**

13 A. Yes. Exhibit FRS-1 is my resume and Exhibit FRS-2 is a list of the regulatory proceedings
14 in which I have submitted testimony.

15 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

16 A. I was retained by the Miami-Dade Water and Sewer Department ("Miami-Dade" or the
17 "Department") to provide consulting services with respect to the appropriate rates and charges
18 by Florida City Gas ("FCG" or the "Company") for natural gas transmission service provided
19 by the Company for the Department's lime kilns operations at the Alexander Orr Water
20 Treatment Plant (the "Orr" Plant) and the Hialeah-Preston Water Treatment Plant (the
21 "Hialeah" plant).

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY AT THIS TIME?**

23 A. Miami-Dade has retained me to provide the Florida Public Service Commission ("FPSC" or
24 the "Commission") with an analysis and my professional opinion of FCG's cost of serving the
25 Department and corresponding rates and with respect to the natural gas transportation service

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1 provided by the Company and the agreement for that service the parties negotiated and the
2 Company filed with the Commission for approval (the "2008 Agreement") and then unilaterally
3 withdrew without advising the Department or providing Miami-Dade with any justification for
4 the Company's decision to withdraw that filing and the rates FCG is currently charging the
5 Department.

6 **Q. PLEASE SUMMARIZE THE DEPARTMENT'S POSITION AS YOU**
7 **UNDERSTAND THOSE POSITIONS.**

8 A. It is Miami-Dade's position that it negotiated the 2008 Agreement in good faith and during
9 those negotiations the Company never gave the Department representatives any indication the
10 rates included in that Agreement were not sufficient or did not reflect the Company's cost of
11 providing natural gas transmission service.

12 Therefore, in the absence of any evidence to the contrary, the Commission should accept and
13 approve the 2008 Agreement and the rates included therein. The revenues the Company is
14 currently seeking to recover from the Department pursuant to the FCG General Service – 1250
15 (GS 1250k) tariff are significantly in excess of the Company's costs I will describe hereinafter.
16 Moreover, my testimony will also address the Company's failure to provide the Commission or
17 Miami-Dade with any cost of service data and information with respect to the Company's
18 natural gas transportation service to the Department, and in fact, did not provide the Department
19 with any information with respect to its filing of the 2008 Agreement with the Commission.

20 **Q. IN YOUR OPINION, ARE ANY OF THE COMPANY'S TARIFF SCHEDULES**
21 **APPLICABLE TO THE GAS TRANSPORTATION SERVICE PROVIDED MIAMI-**
22 **DADE BY FCG?**

23 A. No. It is my understanding that all of the Company's tariff rates are based on average total
24 system costs that, if applied to Miami-Dade service, would result in a significant over recovery
25 of costs. By average total system costs, I mean the total annual costs of the Company allocable

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1 to its various customer classes.

2 **Q. DO THE RATES INCLUDED IN THE PROPOSED 2008 AGREEMENT PROVIDE**
3 **THE COMPANY WITH RECOVERY OF ITS INCREMENTAL COSTS?**

4 A. Yes. The Company's true incremental or the variable costs rates incurred in serving the
5 Department should, by definition, reflect only the variable costs associated with the Company's
6 service to the Department (the "Incremental Costs"). When compared to the rates developed
7 from the Incremental Costs (the "Incremental Rates"), the rates included in the 2008 Agreement
8 will result in annual revenues in excess of the Company's true Incremental Costs.

9 **Q. WHY WOULD IT BE APPROPRIATE FOR THE COMMISSION TO ADOPT,**
10 **APPROVE AND IMPLEMENT A SPECIAL CONTRACT WITH TRUE**
11 **INCREMENTAL COST RATES FOR THE GAS TRANSPORTATION SERVICE TO**
12 **MIAMI-DADE?**

13 A. The natural gas transportation service the Company has and will provide the Department is
14 so different from the Company's transportation service to its other customers that the revenues
15 from the tariff rates the Company is currently charging from Miami-Dade represent an unjust
16 and unreasonable cost recovery. Therefore, for a better matching of costs, the Commission
17 should adopt and approve the 2008 Agreement with the special contract and rates included
18 therein.

19 **Q. WILL YOUR TESTIMONY ADDRESS A FORM OF RATES OTHER THAN THE**
20 **INCREMENTAL COST RATES DESCRIBED HEREIN ABOVE?**

21 A. Yes, in various documents I have reviewed, the Company and the FPSC Staff have used the
22 term "incremental costs" in describing the Company costs associated with specific investments
23 the Company has made in order to provide natural gas transmission service to the Department.
24 Moreover, those documents also indicate the FPSC Staff appears to be concerned with the costs
25 the Company's other customers would be required to pay if the Company were not serving the

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1 Department. These are not incremental costs but costs associated with specific Company
2 investments that I will refer to herein as direct or avoided costs.

3 **Q. DO THE DIRECT COSTS ASSOCIATED WITH THE FCG GAS**
4 **TRANSPORTATION SERVICE TO THE DEPARTMENT MEET THE CLASSIC**
5 **DEFINITION OF INCREMENTAL COSTS?**

6 A. No. Typically, incremental costs represent only variable costs or, in the case of the
7 Company's service to the Department, increased Operation and Maintenance ("O & M") as a
8 result of the service. However, as a part of my analyses, I have calculated the costs and
9 resulting unit rates associated with or linked to the direct investment in the Company's service
10 to Miami-Dade.

11 The costs included in my calculation of the rates I will refer to as "Direct Cost Rates" are the O
12 & M, depreciation expense, taxes and other income taxes, return on rate base and state and
13 federal taxes associated with the specific investment required for services to Miami-Dade.

14 **Q. I SHOW YOU WHAT IS MARKED AS EXHIBIT NO. ____ (FRS-3) TITLED "FCG**
15 **COSTS TO PROVIDE GAS TRANSPORTATION SERVICE TO MIAMI-DADE**
16 **COUNTY WATER AND SEWER DEPARTMENT. DID YOU PREPARE THIS**
17 **EXHIBIT?**

18 A. Yes.

19 **Q. PLEASE DESCRIBE AND EXPLAIN THE EXHIBIT.**

20 A. This Exhibit sets forth my determination of the Company's true incremental costs and rates
21 per therm and the direct cost rates to provide transportation service to the Department. The
22 costs and rates developed in the exhibit are based on the "best" data I was able to secure since
23 the time I was retained by Miami-Dade. As noted in Footnote 1, the total company data in
24 column (b) is the "FPSC Adjusted" values in the Company's *Earnings Surveillance Report* for
25 the quarter ended June 2010. The rate of return and tax rates shown on lines 8, 9 and 10 were

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1 also taken from that report. The investment made for service to the Orr and Hialeah plants
2 shown in columns (c) and (d) on line 1 were values provided by the Company in its response to
3 FPSC Staff second data request dated January 9, 2009 that was included as Item 2 to the Miami-
4 Dade first POD (page 12 of 40). The accumulated provision for depreciation reserve divided by
5 the total Company gross plant times the Orr and Hialeah gross plant on line 1 (hereinafter the
6 "Gross Plant Ratio"). The total Company rate base was allocated to the Orr and Hialeah Plants
7 on the basis of the Gross Plant Ratio and the Gross Plant Ratio was also used to allocate the
8 total Company O & M expenses other than gas costs, depreciation expense and taxes other than
9 income taxes.

10 In my opinion the use of the Gross Plant Ratio results in an over allocation to Miami-Dade and,
11 therefore, represents a very conservative total cost and resulting unit rates. The return on rate
12 base is the product of the rate of return times the rate base on line 4. The state taxes are
13 calculated as the product of the return on line 9 and the 5.0% effective rate. Federal income
14 taxes are the product of 34% times the difference between return on rate base and state taxes.
15 The annual transportation volumes shown on line 13 represent the average natural gas volumes
16 delivered to the Department during the past three years. The annual O & M costs from line 5
17 represent the Company's "true" incremental costs associated with its service to Miami-Dade.
18 The resulting unit rates shown on line 14 are \$0.0078 per therm for the Orr Plant and \$0.0192
19 per therm for the Hialeah Plant. Both of these rates are well below the unit rates the Company
20 was collecting during the term of the 1998 Agreement and the rates in the 2008 Agreement FCG
21 filed with the Commission and then withdrew from Commission consideration, based solely on
22 the comments by the FPSC staff. The Direct Cost Rates of \$0.0197 per therm for the Orr Plant
23 and \$0.0488 per therm for the Hialeah Plant are the total annual direct costs from line 11
24 divided by the annual gas volumes from line 13.

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1 **Q. DOES THE ALLOCATION METHODOLOGY YOU HAVE UTILIZED IN THIS**
2 **COST OF SERVICE EXHIBIT REFLECT GENERALLY ACCEPTED RATE MAKING**
3 **PRACTICES?**

4 A. Yes. The purpose of utility cost allocation is to provide the best match between costs and
5 cost responsibility with the data and information available, In this case, the total system costs
6 allocated to the Company's service to the Department are generally plant related and, therefore,
7 the gross plant allocation factor I have used provides a reasonable allocation of cost
8 responsibility. If the Company's detailed accounting records had been available to me, I am
9 sure the O & M costs associated with the Department service would be less than the level of
10 those costs I have allocated to that service.

11 **Q. WHY HAVE YOU NOT PROVIDED COST OF SERVICE INFORMATION**
12 **RELATED TO THE MIAMI-DADE CO-GENERATION PLANT AT THE SOUTH**
13 **DISTRICT WASTEWATER TREATMENT PLANT?**

14 A. It is my understanding that the gas requirements for that facility are provided by the waste
15 products from the plant operations and little or no natural gas is required. Moreover, it is my
16 understanding that Miami-Dade made a contribution in aid of construction to the Company for
17 the investment required to provide service to that location.

18 **Q. HAVE YOU REVIEWED THE "RATE DESIGN COMPARISON AND MARGIN**
19 **COMPARISON" CHART FCG PROVIDED TO THE MIAMI-DADE**
20 **REPRESENTATIVES AT THEIR MEETING ON FEBRUARY 11, 2009?**

21 A. Yes

22 **Q. WOULD YOU DESCRIBE THE INFORMATION PROVIDED IN THAT**
23 **DOCUMENT AS A VALID COST OF SERVICE STUDY?**

24 A. No. I would not. The information provided in that document is not a valid cost of service
25 analysis, incremental or otherwise, and, in my opinion, provides the Commission with little or

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1 no viable information with respect to the Company's costs of providing natural gas
2 transportation service to Miami-Dade. The use of the number of customers as a basis of
3 allocation does not provide a reasonable relationship between costs and cost responsibility and
4 the resulting cost allocation significantly overstates the cost responsibility the document was
5 intended to show.

6 **Q. HAS FCG PROVIDED ANY COST OF SERVICE DATA OR OTHER**
7 **INFORMATION THAT WOULD JUSTIFY ITS WITHDRAWAL OF THE 2008**
8 **AGREEMENT FROM COMMISSION CONSIDERATION?**

9 A. No. None of the information provided by the Company that I have reviewed would support
10 the Company's claim that the rates in the 2008 Agreement do not recover the FCG costs. It
11 appears that the only support for the Company's action is the unsubstantiated statement by a
12 Commission Staff member that she would not recommend that the Commission approve the
13 Agreement.

14 **Q. DO YOU HAVE OTHER CONCERNS WITH THE COMPANY'S WITHDRAWAL**
15 **OF THE 2008 AGREEMENT FROM CONSIDERATION BY THE COMMISSION?**

16 A. Yes. I am concerned that, on the basis of a statement by the FPSC Staff, the Company
17 withdrew from Commission consideration the 2008 Agreement that was signed by the Company
18 President. In my opinion, the Company's reaction to unsubstantiated statements by the FPSC
19 Staff represents the Company's agreement to a direct and unwarranted intervention in the
20 Company's operations. If, after the Company President had signed the 2008 Agreement the
21 Company became concerned that the annual revenues from service to the Department would not
22 be sufficient, the Company should have left the approval or rejection of the 2008 Agreement
23 rates up to the Commission after an evidentiary hearing.

24 **Q. BASED ON THE CHRONOLOGY OF EVENTS IN THIS PROCEEDING, IS IT THE**
25 **OBLIGATION OF FCG OR THE DEPARTMENT TO PROVIDE EVIDENCE IN**

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1 **SUPPORT OF THE COMPANY'S COST TO PROVIDE SERVICE TO MIAMI-DADE?**

2 A. It is my understanding that, during the negotiations for the 2008 Agreement, the FCG
3 representatives never indicated to the Miami-Dade representatives, either by direct statement or
4 implication, that in their opinion the proposed rates were too low and would not recover the
5 Company's costs. Since the withdrawal of the 2008 Agreement from Commission
6 consideration was a unilateral act by the Company (in fact FCG never gave Miami-Dade any
7 notice of its intent to withdraw the application for Commission approval) it is my opinion that
8 FCG has the obligation to provide the Commission with evidence in support of its cost of
9 service claim, following generally accepted rate-making practices. However, for the purposes
10 of this proceeding, Miami-Dade has provided the Commission with adequate cost support for
11 the Department's claim that the 2008 Agreement rates provide the Company with adequate cost
12 recovery and, therefore, are just and reasonable.

13 **Q. BASED ON YOUR EXPERIENCE IN THE UTILITY COST OF SERVICE AND**
14 **RATE MAKING FIELD, HAS FCG PROVIDED THE PROOF NECESSARY TO**
15 **ESTABLISH ITS COST-BASED RATES FOR NATURAL GAS TRANSPORTATION**
16 **SERVICE TO MIAMI-DADE?**

17 A. No. While I have referred to the information provided by FCG in its response to the Miami-
18 Dade document production request No. 1 above, that response did not provide proof of the
19 Company's investment in facilities for service to Miami-Dade. Bald statements such as the
20 Company's in its response to the Miami-Dade interrogatory would never be acceptable in the
21 regulatory jurisdictions I have practiced in during the past 30 years.

22 **Q. HAVE YOU REVIEWED THE TESTIMONY OF MIAMI-DADE WITNESS**
23 **ARMSTRONG RELATING TO THE COMMISSION'S AUTHORITY AND**
24 **DISCRETION TO APPROVE THE 2008 AGREEMENT?**

25 A. Yes and I concur with Mr. Armstrong's conclusions.

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1 **Q. DO YOU AGREE WITH MR. ARMSTRONG THAT THE COMMISSION CAN**
2 **REFUSE TO ALLOW THE COMPANY TO RECOVER FROM OTHER FCG**
3 **CUSTOMERS THE DIFFERENCE, IF ANY, BETWEEN THE REVENUES**
4 **COLLECTED BY THE COMPANY UNDER THE 2008 AGREEMENT AND THE**
5 **COMPANY'S COST OF PROVIDING NATURAL GAS TRANSPORTATION**
6 **SERVICE TO MIAMI-DADE?**

7 A. Yes, I am in agreement with Mr. Armstrong with respect to his testimony on this issue.

8 **Q. IN SUMMARY, WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

9 A. It is my recommendation that the Commission should approve the 2008 Agreement and the
10 rates included therein for natural gas transportation service to the Department.

11 **Q. DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?**

12 A. Yes.

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CURRICULUM VITAE
of
FRED R. SAFFER

Mr. Saffer is President and a principal in the firm of Fred Saffer & Associates, Inc. As a utility business consultant and analyst with over 30 years of direct experience in all phases of public utility management, operations and regulation, he provides financial, engineering and management consulting services to governmental entities operating or regulating electric, natural gas, water, sewer, cable TV, and communications utilities.

He commenced his utility career in the divisional operations of the Kansas Power & Light Company, a combination electric, natural gas and steam utility. As Director of Rates & Contracts for KP&L, he was responsible for wholesale and retail rates, contracts and franchises, regulatory filings, various Treasury Department functions and financial analyses for electric, natural gas and district steam system expansions. He was subsequently employed as a Contract Valuation Engineer in the Power Division of the New York Public Service Commission where he evaluated and testified with respect to the revenue requirements and rates of various New York utilities subject to that commission's jurisdiction.

He was then employed as a Senior Consultant by Hess & Lim, Inc., a Washington, D.C. based utility consulting firm representing major industrial utility customers and various regulatory commissions. Immediately prior to entering private practice in 1985, Mr. Saffer was a partner in RW Beck & Associates and in charge of the Rate Department of that firm's Orlando, Florida regional office.

Mr. Saffer's experience and practice areas include engagements with respect to: franchise and contract development and negotiations; development and negotiations for alternative supply or service arrangements; evaluation, valuation, negotiations and litigation associated with the purchase or sale of entire or partial operating utility systems, including the development and negotiation of purchase, operating and supply agreements; retail electric, water, sewer, natural gas and cable TV cost of service studies; the development, implementation and operations of customer billing, accounting and service systems; the development and implementation of internal utility operating and financial systems; computer applications; management audits; and a full range of litigation support services including expert testimony and settlement negotiations.

Mr. Saffer was granted a Bachelor of Arts degree from Kansas State University at Emporia (now Emporia State University) with majors in mathematics, physics and English literature. He completed 32 graduate hours toward a Masters of Mechanical Engineering Degree.

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AREAS OF EXPERTISE

Cost of Service and Rate Design: Mr. Saffer has extensive experience in preparing cost of service and rate design studies. He has supervised and participated in the development of complete cost of service studies, cost of service reviews and rate design studies. These studies have included the development of test-year projections, the selection and development of allocation procedures, analyses of operating and financial information, and the complete design of rate schedules and terms and conditions of service. This work has included engagements for both small and large utility operations and has included work involving both retail and wholesale rates established by both the traditional embedded-cost rate making applications and marginal-cost rate making and rate design.

Litigation Support/Expert Testimony: Mr. Saffer has provided expert testimony in numerous regulatory proceedings.¹ He has also participated in negotiations leading to the settlement of numerous proceedings. The proceedings in which he has participated as an expert witness or otherwise have involved questions relating to the cost and value of utility service, the cost or value of utility facilities, terms and conditions of service and various contract provisions.

Joint Action Development: Mr. Saffer has extensive experience in the development and negotiations of arrangements for municipal joint action in Virginia, North Carolina, Alabama and California. His principal areas of responsibility in these matters were: development and negotiations of terms and conditions for interconnected operations and bulk supply; rates and charges for firm bulk supply and transmission service; transmission or wheeling arrangements; and the development and negotiations of other contractual provisions.

Utility System Acquisitions: Mr. Saffer was retained by the City of San Marcos, Texas to evaluate the potential costs and benefits of San Marcos purchasing the electric distribution system serving that City and operating that system as an enterprise fund of the City. Mr. Saffer prepared and presented the preliminary evaluations, developed and negotiated purchase/sales agreements, operating agreements and supply agreements. He has also evaluated and successfully negotiated the purchase of utility facilities by several Virginia cities or towns including Manassas, Harrisonburg, Franklin and Blackstone. He was also engaged by the City of Falls Church, Virginia to undertake a preliminary evaluation of the economic and operational feasibility of that municipality establishing a limited purpose municipal electric system. He has also evaluated proposals by other utilities to purchase the operating utility systems of various municipalities.

¹ See Exhibit No. ____ (FRS-2)

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Docket No. 090539-GU
Testimony Submitted by Fred R. Saffer
Exhibit _____ (FRS-2)

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**Testimony Submitted By
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Federal Energy Regulatory Commission:

Docket No. E-7740	Indiana & Michigan Electric Company
Docket No. E-7317	Pennsylvania Power Company
Docket No. E-7867	Ohio Power Company
Docket No. E-8851	Alabama Power Company
Docket No. E-8884	Carolina Power & Light Company
Docket No. E-9147	Virginia Electric & Power Company
Docket No. ER76-415	Virginia Electric & Power Company
Docket No. ER76-388	Carolina Power & Light Company
Docket No. ER76-495	Carolina Power & Light Company
Docket No. ER76-587	Georgia Power Company
Docket No. ER77-485	Carolina Power & Light Company
Docket No. ER77-347	Wisconsin Power & Light Company
Docket No. ER78-166	Georgia Power Company
Docket No. ER78-522	Virginia Electric & Power Company
Docket No. ER78-347	Wisconsin Power & Light Company
Docket No. ER78-583	Mississippi Power & Light Company
Docket No. ER78-584	Mississippi Power & Light Company
Docket No. ER79-88	Georgia Power Company
Docket No. ER80-214	Pacific Gas & Electric Company
Docket No. ER80-344	Carolina Power & Light Company
Docket No. ER81-730	Georgia Power Company
Docket No. ER83-369	Alabama Power Company
Docket No. ER84-177	Duke Power Company
Docket No. ER84-355	Virginia Electric & Power Company
Docket No. ER85-785	Wisconsin Electric Power Company
Docket No. ER86-674	Duke Power Company
Docket No. ER90-355	Pacific Gas & Electric Company
Docket No. ER91-149	Boston Edison Company
Docket No. ER94-1062	Montaup Electric Company
Docket No. ER94-1217	Consolidated Edison Company of New York
Docket No. ER91-32,34	Long Island Lighting Company
Docket No. OA96-138	Consolidated Edison Company of New York
Docket No. ER97-2353	New York State Electric & Gas Corporation
Docket Nos. ER97-011, OA97-470-010, & ER97-4234-008	Member Systems of the New York Power Pool
Docket No. EL02-123	Boston Edison Company
Docket No. ER05-168-001	Southwestern Public Service Company
Docket No. ER06-274	Southwestern Public Service Company

Colorado Public Service Commission:

Docket No. U-34979	Colorado-Ute Electric Association, Inc.
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Florida Public Service Commission:

Docket No. 780793-U	PURPA Hearings-Florida Municipals
[Docket Not Known]	City of Tallahassee-Outside City Surcharge

Kansas Corporation Commission:

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**Testimony Submitted By
Fred R. Saffer**

Non-Docket

Lenexa-Hearing on Participation Rights

Louisiana Public Service Commission:

Docket No. U-15684

Louisiana Power & Light Company

Mississippi Public Service Commission:

Docket No. U-3739

Mississippi Power Company

New Mexico Public Service Commission:

Case No. 2761

Public Service Company of New Mexico

Case No. 2762

PNM Gas Services

New York Public Service Commission:

Case No. 25983

City of Jamestown

Case No. 25922

Village of Freeport

Case No. 26041

Orange & Rockland Utilities, Inc.

Case No. 26105

Consolidated Edison Company of New York

Case No. 26112

Rochester Gas & Electric Company

Case No. 26199

New York State Electric & Gas Company

Case No. 26590

City of Jamestown

North Carolina Utilities Commission:

Docket No. G-21, Sub 177

North Carolina Gas Company

Docket No. G-21, Sub 235

North Carolina Gas Company

Docket No. G-21, Sub 235R

North Carolina Gas Company

Docket No. G-21, Sub 255

North Carolina Gas Company

Docket No. G-21, Sub 279

North Carolina Gas Company

Public Utility Commission of Texas:

Docket No. 3176

Southwest Electric Power Company

Docket No. 4628

Southwest Electric Power Company

Docket No. 7512

Lower Colorado River Authority

Docket No. 8032

Lower Colorado River Authority

Docket No. 8400

Lower Colorado River Authority

Docket No. 9427

Lower Colorado River Authority

Virginia State Corporation Commission:

Case No. PUE 960110

Application of Town of Blackstone

Public Service Commission of West Virginia:

Case No. 7385

Wheeling Electric Company

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Docket No. 090539-GU
FCG Cost to Provide Gas Transportation Service to
Miami-Dade Water and Sewer Department
Exhibit _____ (FRS-3)

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FLORIDA CITY GAS
Cost To Provide Gas Transportation Service
To
Miami-Dade County Water & Sewer Department

Line No	Description	Total FCG System [1]	Miami-Dade		Total Miami-Dade	Source & Reference For Cols (c) & (d)
			Orr Plant	Hialeah Plant		
(a)	(b)	(c)	(d)	(e)	(f)	
1	Original Cost Investment	\$275,366,528	\$387,250	\$833,239	\$1,220,489	Company response to M/D data request
2	Accumulated Provision for Depreciation	-125,575,705	-176,598	-379,983	-556,581	Allocated on Gross Plant
3	Net Plant	\$149,790,823	\$210,652	\$453,256	\$663,908	
4	Rate Base	\$157,842,235	\$221,975	\$477,619	\$699,594	Allocated on Gross Plant
5	O&M Other Than Cost of Gas	\$20,968,691	\$29,488	\$63,450	\$92,938	Allocated on Gross Plant
6	Annual Depreciation Expense	\$18,681,208	\$26,272	\$56,528	\$82,799	Allocated on Gross Plant
7	Taxes Other Than Income Taxes	\$2,568,721	\$3,612	\$7,773	\$11,385	Allocated on Gross Plant
8	Return on Rate Base @ 5.06%		\$11,232	\$24,168	\$35,399	Line 4 x 5.06%
9	State Taxes @ 5.50%		\$618	\$1,329	\$1,947	Line 8 x 5.50%
10	Federal Taxes @ 34.00%		\$3,609	\$7,765	\$11,374	Ln 8 - Ln 9 x 34.00%
11	Total Annual Direct Costs		\$74,831	\$161,012	\$235,843	Sum of lines 6 through 10
12	Variable Costs		\$29,488	\$63,450	\$92,938	Line 5.
13	Annual Transportation Volumes - Therms		3,800,000	3,300,000		3 Year Average Deliveries
14	True Incremental Rates - \$/Therm [2]		\$0.0078	\$0.0192		Line 12 / Line 13
15	Direct Cost Rates - \$/Therm [3]		\$0.0197	\$0.0488		Line 11/ line 13

Footnotes:

- [1] "FPSC Adjusted" values from the Company's "Earnings Surveillance Report for the quarter ended June 2010.
- [2] The rate for the recovery of the Company's true incremental or variable costs (Incremental Rates).
- [3] The rate for the recovery of all costs associated with the Company's dedicated investment for service to Miami-Dade.

FRED SAFFER & ASSOCIATES, INC. Financial, Engineering & Management Consultants	Client No 8700	File Name Miami-Dade/Costs	Docket No 090539-GU	Page 1
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