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March 7, 2011

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RECEIVED FPSC
11 MAR -7 PM 4:28
COMMISSION CLERK

Re: Docket No. 090539-GU

Dear Ms. Cole:

Enclosed for filing on behalf of Florida City Gas in the above referenced docket is an original and fifteen copies of the following documents:

- 1. Revised Exhibit DAH-2 to replace the original Exhibit DAH-2 filed on January 28, 2011 and to be attached to the Rebuttal Testimony of David A. Heintz; and
2. Revised page 11 to the Rebuttal Testimony of David A. Heintz to replace the original page 11 filed on January 28, 2011 to correct the numbers on lines 7 and 8.

This Exhibit and supporting testimony are being revised to correct for using the wrong number of therms which is more fully discussed in FCG's Response to Staff's Third Set of Interrogatories, No. 58.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,

Floyd R. Self

Handwritten signature of Floyd R. Self

COM 5+1 ct
APA
ECR 2
GCL 2
RAD
SSC
ADM
OPC
CLK FRS/amb

Enclosure

cc: Shannon O. Pierce, Esq.
Parties of Record

DOCUMENT NUMBER-DATE

01497 MAR-7 =

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Line No.	Description (a)	Alexander Orr (b)	Hialeah (c)	Source (d)
1	Plant in Service	\$ 387,250	\$ 833,239	From Company Data Request
2	Accumulated Prov.	(116,175)	(249,972)	3% depreciation rate for 10 years
3	Net Plant	\$ 271,075	\$ 583,267	Line 1 + Line 2
4	Appr. Rate of Return	7.36%	7.36%	Approved Rate PSC-04-0128-PPA-GU
5	Return	19,951	42,928	Line 3 x Line 4
6	Interest Exp.	(7,834)	(16,856)	Weighted debt cost of 2.89% from PSC-04-0128-PPA-GU
7	Taxable Income	\$ 12,117	\$ 26,072	
8	Effective Tax Rate	0.3763	0.3763	5.5% State and 34% Federal
9	Income Taxes	\$ 7,311	\$ 15,730	
10	O&M	\$ 98,695	\$ 87,671	From data response (12/09)
11	Depreciation	11,618	24,997	3% depreciation rate
12	Taxes Other	5,473	11,776	2.019% effective property tax rate
13	Total Expenses	\$ 123,096	\$ 140,175	Sum of Lines 9 through 12
14	Total Cost of Service	\$ 143,047	\$ 183,103	Line 5 + 12
15	Volumes (therms)	3,008,214	2,036,155	3 Year Average Deliveries (Corrected)
16	Rate	\$ 0.0476	\$ 0.0899	Line 14 / Line 16

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<u>Type of Capital</u>	<u>PER CENT OF TOTAL</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
Common Equity	36.77%	11.25%	4.14%
Longt-term Debt	40.32%	6.43%	2.59%
Short-term Debt	7.72%	3.90%	0.30%
Customer Deposits	4.86%	6.70%	0.33%
Def. Taxes Zero Cost	9.88%		0.00%
Tax Credit-Zero Cost	0.45%		0.00%
TOTAL	100.00%		7.36%

62.78%

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1 The goal when designing a special contract rate is to recover, at a
2 minimum, the customer specific costs, and obtain a contribution to utility return.
3 General and overhead costs are typically not included.

4 **Q. Have you calculated the appropriate incremental cost of service for**
5 **MDWASD?**

6 A. Yes, I have. As shown in Exhibit ___(DAH-2), the Incremental Rate, based on a
7 customer specific cost of service analysis for the Orr Plant is \$0.0476/therm and
8 the incremental rate for the Hialeah Plant is \$0.0899/therm.

9 **Q. Please explain your method of determining the cost of service?**

10 A. The starting point in determining the cost of service for a special contract
11 customer begins with the net plant. As noted earlier, the FCG facilities serving
12 MDWASD have been in service for ten years, therefore there have been ten years
13 of accumulated depreciation which must be subtracted from gross plant to
14 determine the appropriate net plant.

15 I allocated O&M expenses based on the customer factor from the last rate
16 case which is the same assumption used by Ms. Bermudez. For the depreciation
17 expense, I used the 3.00 percent depreciation rate discussed earlier.

18 As the next step in the analysis I determined the return allowance and
19 income tax expense. I used the Commission approved rate of return, 7.36 percent
20 as discussed above, from the Company's last rate case. To determine the income
21 tax allowance, I subtracted interest expense to reach taxable income based on an

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