

October 15, 2014

BY E-PORTAL

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

Re: Docket No. 140166-GU - Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Stauffer:

Attached for filing in the above-referenced docket, please find Florida Public Utilities Company's responses to the Commission Staff's First Set of Data Requests to the Company in this proceeding.

As always, thank you for your assistance. Please do not hesitate to contact me if you have any questions whatsoever.

Sincerely,


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

Enclosures

cc:// Keino Young (PSC Staff Counsel)
Patricia Christensen (Office of Public Counsel)

Re: Docket No. 140166-GU - Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

FPUC'S RESPONSES TO STAFF'S FIRST DATA REQUESTS

1. Please refer to Attachment A of the Company's filing in this docket, Sheet No. 105.1, legislative version. The list of rates by rate classifications and therms is illegible. Please file a legible copy.

Company Response: See file GRIP FPSC 1ST ROG 1 for the re-printed tariff page 105.1.

2. Please refer to the revised 1st quarter 2014 FPUC and Chesapeake GRIP report, dated July 8, 2014.
 - a. Please explain why no miles were retired during the 1st quarter of 2014 for FPUC and Chesapeake.
 - b. How many miles were retired during the 2nd quarter of 2014 for FPUC and Chesapeake?
 - c. How many miles are forecast to be retired during the 3rd and 4th quarters of 2014 for FPUC and Chesapeake?
 - d. How many services were retired/installed during the 2nd quarter of 2014 for FPUC and Chesapeake?
 - e. How many services are forecast to be retired/installed during the 3rd and 4th quarters of 2014 for FPUC and Chesapeake?
 - f. Please explain the difference, if any, between miles installed and miles retired (mains).

Company Response:

- a. **There were no miles retired in the first quarter of 2014 because of the lag time between when the gas in the new main was turned on and capitalized and when the old line was abandoned and retired. Most projects begun in the last quarter of 2013 and the first quarter of 2014 and were still in process at the end of the first quarter. Projects are**

capitalized when the gas is turned on and retired when the gas in the old line is turned off. Although there were some projects that were capitalized during the 1st quarter because the gas was turned on, there is some lag time before the gas in the old line is turned off and the line is abandoned and retired.

- b. FPUC retired 3.5 miles of lines and Chesapeake 1.8 miles of lines in the 2nd quarter of 2014.**
- c. FPUC expects to retire 32 miles of lines and Chesapeake 31 miles of lines in the 3rd and 4th quarter of 2014.**
- d. Services are retired as installed. In the 2nd quarter of 2014, 883 services were installed and retired for FPUC and 10 were installed and retired for Chesapeake.**
- e. In the 3rd and 4th Quarter of 2014, 942 services were projected to be installed and retired for FPUC and 80 for Chesapeake.**
- f. There is a lag time between when a project's new gas main is placed in service and when the old bare steel main is abandoned and retired. The lag at the end of 2014 is 5.56 miles for FPUC and 4 miles for Chesapeake.**

3. The following questions refer to FPUC's and Chesapeake's forecast of mains retired and services retired/installed by 12/31/2015.
- a. How many miles of mains does FPUC plan to retire by 12/31/2015?
 - b. How many services does FPUC plan to retire/install by 12/31/2015?
 - c. How many miles of mains does Chesapeake plan to retire by 12/31/2015?
 - d. How many services does Chesapeake plan to retire/install by 12/31/2015?
 - e. Please provide a general description (e.g., county) where the miles and services listed in (a), (b), (c), and (d) are located.

Company Response:

- a. **FPUC plans to retire 92 miles by 12/31/2015**
- b. **FPUC plans to retire and install 5,014 services by 12/31/2015.**
- c. **Chesapeake plans to retire 55 miles by 12/31/2015.**
- d. **Chesapeake plans to retire and install 352 services by 12/31/2015.**
- e. **The miles and services for the response to (a) and (b) above are in Palm Beach and Volusia County. The miles and services for the responses to (c) and (d) above are in Polk County.**

4. Does FPUC still plan to complete the GRIP in 10 years? If not, please explain.

Company Response:

Yes, the Company still plans to complete the GRIP within 10 years. The Company accelerates replacement when possible; however, replacements are expected to level off and slow down over the last five years. Florida Public Utilities (FPU) has been aggressively working to accelerate bare steel pipeline replacements because subsequent to program approval by the FPSC, we have identified areas of high consequence where safety and reliability are essential (residential,

schools, hospitals, etc.) and are targeting these areas for pipeline replacement. Our intent is to move as rapidly as possible to replace pipe in high consequence areas and other areas with relatively easy access to bare steel pipes. In addition to safety and reliability concerns, part of our acceleration rationale is to keep underground utility contractors working in Florida on our projects. There is significant competition for contractors in Florida utilities and around the country as many LDC's begin pipeline replacement initiatives and pipeline construction increases in the shale gas production areas

- 5. Please refer to CMM-1, Schedule D-1, page 5 (FPUC) and page 10 (Chesapeake). The true-ups from the prior period for FPUC and Chesapeake show an estimated 2014 under recovery of \$973,361 and \$225,373, respectively. Please explain with specificity the reasons for the under recoveries for FPUC and Chesapeake.**

Company Response:

The Company is doing its best to replace the bare steel in an accelerated manner when possible, and coordinates planned replacements with higher risk areas such as densely populated areas, and pipeline segments which provide the greatest improvement to safety and reliability. The most important benefit of acceleration relates to safety. However, in the long run repair costs will also decrease because of fewer leak repairs on old bare steel mains and services. The Company was able to replace more bare steel than originally planned, and costs were higher than estimated. The original projection for FPUC was to replace 34% of the infrastructure in the first two years and the remaining 66% over 8 years. The 2015 projection filed is based on FPUC completing 50% of the mains and 62.8% of the services by 12/31/2015. The original projection for

Chesapeake was to replace 20% of the infrastructure during the first two years and the remaining 80% over 8 years. The 2015 projection filed is based on Chesapeake completing 39% of the mains and 46% of the services by 12/31/2015. The original projection filed was based on the cost to replace mains and services in the 2008 FPUC gas rate case. Actual costs have increased since then. The original filing projected \$127,459 per mile for mains and \$814 per service. The average cost per mile since the inception of the program in 2012 thru 2014 has been \$185,387 per mile of main and \$1,688 per service for FPUC. These costs are expected to continue to increase and were projected at \$193,796 per mile of main in 2015 and \$1,798 per service in 2015. The average cost per mile from 2012 thru 2014 for Chesapeake has been \$180,213 and \$1,524 per service. Many factors contribute to the costs being different than the initial estimate, including type of replacement project, inflationary impact of goods and services, cost and demand of outside contractors, requirements of county and city officials, and the difficulty of replacement due to density of population. One reason for the higher costs in Palm Beach County is due to the cities requiring more extensive street restoration and traffic control mandates.

6. Please refer to Order No. PSC-12-0490-TRF-GU, issued September 24, 2012 in Docket No. 120036-GU (Order) for the following questions.
 - a. On page 4 the Order states, “FPUC’s review of the remaining eligible infrastructure has led the utility to propose replacing 34 percent of the infrastructure during the first two years of the program and 66 percent of the infrastructure in the following 8 years.” Please update these percentages and if there are differences, please explain why.
 - b. On page 12 the Order states, “Chesapeake’s review of the remaining eligible infrastructure has led the utility propose replacing 20 percent of the infrastructure during the first two years of the program and 80 percent of the infrastructure in the following 8 years.” Please update these percentages and if there are differences, please explain why.

- c. Table 3 (page 9) displays the monthly bill impacts using actual 2009-2011 costs for FPUC. Please provide an updated estimate of these monthly bill impacts through 2022 using the format in Table 3.
- d. Table 6 (page 17) displays the monthly bill impacts using actual 2009-2011 costs for Chesapeake. Please provide an updated estimate of these monthly bill impacts through 2022 using the format in Table 6.

Company Response:

- a. **At the end of 2014, FPUC forecasts to have installed 74 miles of new main, which is 37.3% of the original 198 miles of main in Commission Order No. PSC-12-0490-TRF-GU. The increase is due to FPUC doing its best to replace the bare steel in an accelerated manner when possible. The 2015 forecast is based on completion of 50% of the main. At the end of 2014, FPUC forecasts to have installed 4,273 new services, which is 53.5% of the original 7,980 services in Commission Order No. PSC12-0490-TRF-GU. The 19.5% increase is due to FPUC doing its best to replace the bare steel in an accelerated manner when possible. The 2015 forecast is based on completion of 63% of the services.**

- b. **At the end of 2014, Chesapeake forecasts to have installed 45 miles of main, which is 30.4% of the original 152 miles in Commission Order No. PSC-12-0490-TRF-GU. The increase is due to Chesapeake doing its best to replace the bare steel in an accelerated manner when possible. The 2015 forecast is based on 39% of the main being completed. At the end of 2014, Chesapeake forecasts to have installed 270 new services, which is 35.4% of the original 762 services in Commission Order No. PSC-12-0490-TRF-GU. The 15.4% increase is due to Chesapeake doing its best to replace the bare steel in an accelerated manner. The 2015 forecast is based on 46% of the services being completed.**

- c. Table 3 was updated on the attached file GRIP FPSC 1ST ROG 6C FPU BILL IMPACT.
- d. Table 6 was updated on the attached file GRIP FPSC 1ST ROG 6D CFG BILL IMPACT.

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS
Rate Schedule MRA

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7. GAS REPLACEMENT INFRASTRUCTURE PROGRAM (GRIP):

Applicability:

All Customers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, FTS-12, and FTS-13.

The Usage Rate for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2015, through December 31, 2015, for each rate classification are as follows:

Rate Schedule	Classification of Service	Rate per therm
FTS A	< 130 therms	\$0.17680
FTS-B	> 130 therms up to 250 therms	\$0.07739
FTS-1	> 0 up to 500 therms	\$0.05713
FTS-2	> 500 therms up to 1,000 therms	\$0.05323
FTS-2.1	> 1,000 therms up to 2,500 therms	\$0.05552
FTS-3	> 2,500 therms up to 5,000 therms	\$0.02701
FTS-3.1	> 5,000 therms up to 10,000 therms	\$0.03332
FTS-4	> 10,000 therms up to 25,000 therms	\$0.04130
FTS-5	> 25,000 therms up to 50,000 therms	\$0.03826
FTS-6	> 50,000 therms up to 100,000 therms	\$0.02868
FTS-7	> 100,000 therms up to 200,000 therms	\$0.03938
FTS-8	> 200,000 therms up to 400,000 therms	\$0.03672
FTS-9	> 400,000 therms up to 700,000 therms	\$0.05122
FTS-10	> 700,000 therms up to 1,000,000 therms	\$0.05208
FTS-11	> 1,000,000 therms up to 2,500,000 therms	\$0.02408
FTS-12	> 2,500,000 therms up to 12,500,000 therms	\$0.03370
FTS-13	> 12,500,000 therms	N/A

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(Continued to Sheet No. 105.2)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective:

FPUC GRIP RESIDENTIAL BILL IMPACTS						
RECOVERY PERIOD	MONTHLY BILL IMPACTS USING 2008 RATE CASE COSTS (BASED ON 20 THERMS AND \$34.11 TYPICAL BILL)		MONTHLY BILL IMPACTS USING 2009-2011 COSTS (BASED ON 20 THERMS AND \$34.11 TYPICAL BILL)		MONTHLY BILL IMPACTS USING 2012-2014 COSTS (BASED ON 20 THERMS AND \$34.11 TYPICAL BILL)	
	RESIDENTIAL BILL INCREASE	RESIDENTIAL BILL % INCREASE	RESIDENTIAL BILL INCREASE	RESIDENTIAL BILL % INCREASE	RESIDENTIAL BILL INCREASE	RESIDENTIAL BILL % INCREASE
	2012-2014	\$ 0.04	0.0%	\$ 0.23	0.7%	\$ 0.16
2014-2016	\$ 0.58	1.7%	\$ 1.08	3.2%	\$ 1.12	3.3%
2016-2018	\$ 0.89	2.6%	\$ 1.59	4.7%	\$ 2.13	6.2%
2018-2020	\$ 1.20	3.5%	\$ 2.07	6.1%	\$ 2.53	7.4%
2020-2022	\$ 1.49	4.4%	\$ 2.53	7.4%	\$ 2.91	8.5%