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IN REPLY REFER TO:

Ansley Watson, Jr.
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March 19, 2015

VIA FEDEX

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

REDACTED

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COMMISSION
CLERK

Re: Docket No. 150053-GU -- Petition for approval of a special contract with Nopetro-Orlando, LLC, 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 Revised Exhibit C to the petition and 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.

AWjr/a
Enclosures

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

COM _____
AFD 2
APA _____
ECO 1
ENG 2+7 redacted
GCL 1
IDM 1
TEL _____
CLK _____

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of a special contract)
with Nopetro-Orlando, LLC, by Peoples Gas)
System.)
_____)

Docket No. 150053-GU

Submitted for Filing:
3-20-15

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

Pursuant to Section 366.093, *Florida Statutes*, Peoples Gas ("Peoples" or the "Company"), submits the following Request for Confidential Treatment of portions of Revised Exhibit C to the petition and 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 Revised Exhibit C to the petition and of the Company's responses to the Staff's First Data Requests Nos. 2, 3, 6, 8 and 9.

2. The material for which confidential classification is sought is intended to be and is treated as private by both Peoples and Nopetro, 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 for which the Commission's approval is sought in this docket. Such information consists of the costs for construction of extended facilities required to provide gas transportation service to Nopetro and other customers, information from which such costs could be arithmetically determined, information from which the rates at which service will be provided to Nopetro could be arithmetically determined, and hourly rates at which Peoples performs certain operation and maintenance tasks. The detailed justification for non-disclosure of the highlighted portions of Revised Exhibit C and of Peoples' responses to portions of its responses to Staff's First Data Requests Nos. 2, 3, 6, 8 and 9 (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, this 20th day of March, 2015.



Ansley Watson, Jr.

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 Revised Exhibit C to the petition and on the Company's responses to Staff's First Data Request Nos. 2, 3, 6, 8 and 9.

Revised Exhibit C -- The highlighted information is a calculation of Peoples' cost of service to provide gas service to NoPetro, from which the cost of construction for additional facilities required to provide such service to NoPetro could be determined, and which information was used in designing the rates to be charged to NoPetro during the term of the LOA. 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, 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 NoPetro 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 NoPetro. In addition, disclosure of these costs would give contractors or vendors from which Peoples would solicit bids for pipeline components or construction a benchmark or target to use in negotiations with Peoples for construction of the involved facilities or other future facilities expansion projects. 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. 2 -- The highlighted information is Peoples' cost of construction for additional facilities required to provide service to NoPetro under the LOA for which approval as a special contract is sought in this docket, which information was used in designing the rates to be charged to NoPetro during the term of the LOA. 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, 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 NoPetro 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 NoPetro. In addition, disclosure of these costs would give contractors or vendors from which Peoples would solicit bids for pipeline components or construction a benchmark or target to use in negotiations with Peoples for construction of the involved facilities or other future facilities expansion projects. 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. 3 -- The highlighted information is Peoples' estimated revenues to be derived from providing gas transportation service to NoPetro under the LOA -- information which could be used to arithmetically determine the rates at which such service will

be provided. Such information is entitled to confidential treatment and protection from disclosure for the same reasons as are set forth with respect to the highlighted information in the response to Staff's First Data Request No. 2. Section 366.093(3)(e), *Florida Statutes*.

Staff's First Data Request No. 6 – The highlighted information is Peoples' estimated revenues to be derived from providing gas transportation service to NoPetro under the LOA – information which could be used to arithmetically determine the rates at which such service will be provided. Such information is entitled to confidential treatment and protection from disclosure for the same reasons as are set forth with respect to the highlighted information in the response to Staff's First Data Request No. 2. Section 366.093(3)(e), *Florida Statutes*.

Staff's First Data Request No. 8 – The highlighted information is Peoples' hourly rates for the performance of certain operation and maintenance functions associated with the facilities installed to provide gas service to NoPetro. This is proprietary confidential business information to Peoples that is not disclosed, and that is entitled to protection from disclosure pursuant to Section 366.093(3)(e), *Florida Statutes*.

Staff's First Data Request No. 9 – The highlighted information is a calculation of Peoples' rate base and return requirements for the facilities constructed to provide service to NoPetro, from which the cost of construction for such facilities could be determined, and which information was used in designing the rates to be charged to NoPetro during the term of the LOA. 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, 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 NoPetro 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 NoPetro. In addition, disclosure of these costs would give contractors or vendors from which Peoples would solicit bids for pipeline components or construction a benchmark or target to use in negotiations with Peoples for construction of the involved facilities or other future facilities expansion projects. 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*.

REVISED EXHIBIT C
COST OF SERVICE STUDY

Cost of Service Study
NoPetro Orlando
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	██████████
7	Projected Annual Average Revenue	██████████

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2. What is the projected cost to install the 5.1 miles of 6-inch steel pipe extension to provide service to NoPetro?
 - A. NoPetro was allocated [REDACTED] or approximately [REDACTED] of the expansion project's total cost of [REDACTED], which includes the 5.1 miles of 6-inch steel pipeline and the requisite updated gate station.

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3. How long will it take to recover the cost of the facilities extension? Please provide the calculations illustrating the length of the recovery period.
- A. It will take approximately five years and one month to recover the cost of the facilities to serve NoPetro.

NoPetro Facility Cost Recovery Period				
				\$ [REDACTED]
Year	Revenue	Cumulative Revenue	Facility NBV	Facility Cost less Depreciation
1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
7	[REDACTED]	[REDACTED]	[REDACTED]	
8	[REDACTED]	[REDACTED]	[REDACTED]	
9	[REDACTED]	[REDACTED]	[REDACTED]	
10	[REDACTED]	[REDACTED]	[REDACTED]	
11	[REDACTED]	[REDACTED]	[REDACTED]	
12	[REDACTED]	[REDACTED]	[REDACTED]	
13	[REDACTED]	[REDACTED]	[REDACTED]	
14	[REDACTED]	[REDACTED]	[REDACTED]	
15	[REDACTED]	[REDACTED]	[REDACTED]	

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6. Please provide the calculations arriving at the "annual average revenues" shown in Exhibit B to the petition.

A.

NoPetro Revenue Calculation - Orlando Years 1 - 3

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████
2	Jul	██████████	██████████	\$ 300	██████████
3	Aug	██████████	██████████	\$ 300	██████████
4	Sep	██████████	██████████	\$ 300	██████████
5	Oct	██████████	██████████	\$ 300	██████████
6	Nov	██████████	██████████	\$ 300	██████████
7	Dec	██████████	██████████	\$ 300	██████████
8	Jan	██████████	██████████	\$ 300	██████████
9	Feb	██████████	██████████	\$ 300	██████████
10	Mar	██████████	██████████	\$ 300	██████████
11	Apr	██████████	██████████	\$ 300	██████████
12	May	██████████	██████████	\$ 300	██████████
				\$ 3,600	██████████

NoPetro Revenue Calculation - Orlando Year 4 - 6

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████
2	Jul	██████████	██████████	\$ 300	██████████
3	Aug	██████████	██████████	\$ 300	██████████
4	Sep	██████████	██████████	\$ 300	██████████
5	Oct	██████████	██████████	\$ 300	██████████
6	Nov	██████████	██████████	\$ 300	██████████
7	Dec	██████████	██████████	\$ 300	██████████
8	Jan	██████████	██████████	\$ 300	██████████
9	Feb	██████████	██████████	\$ 300	██████████
10	Mar	██████████	██████████	\$ 300	██████████
11	Apr	██████████	██████████	\$ 300	██████████
12	May	██████████	██████████	\$ 300	██████████
				\$ 3,600	██████████

NoPetro Revenue Calculation - Orlando Years 7 - 15

<u>Line</u>	<u>Month</u>	<u>Proj. Measured</u>	<u>Dist Charge</u>	<u>Cust Chg</u>	<u>Est. Annual Rev.</u>
1	Jun	██████████	██████████	\$ 300	██████████

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2	Jul	██████████	██████████	\$	300	██████████	
3	Aug	██████████	██████████	\$	300	██████████	
4	Sep	██████████	██████████	\$	300	██████████	
5	Oct	██████████	██████████	\$	300	██████████	
6	Nov	██████████	██████████	\$	300	██████████	
7	Dec	██████████	██████████	\$	300	██████████	
8	Jan	██████████	██████████	\$	300	██████████	
9	Feb	██████████	██████████	\$	300	██████████	
10	Mar	██████████	██████████	\$	300	██████████	
11	Apr	██████████	██████████	\$	300	██████████	
12	May	██████████	██████████	\$	300	██████████	
		██████████		\$	3,600	██████████	██████████
						Average Annual Rev	██████████

The Average Annual Revenue above differs from that shown in the Cost of Service Study attached to the petition as Exhibit C. The above numbers are correct. A number used to derive the Average Annual Revenue shown on Exhibit C to the petition as filed contained a transposition. A Revised Exhibit C to the petition accompanies these responses to Staff's data request.

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8. Referring to Exhibit C to the petition, please explain and show the derivation of the amount shown in Line 1, Operation and Maintenance.

A.

Cost of Service Study
 NoPetro Orlando
 Peoples Gas System, a Division of Tampa Electric Company

Estimated O&M Expense

Line	Description	Amount
1	Meter (prove) - 8 hours/year @ [REDACTED] hour	NA
2	Repaint station(s) every 2 years @ \$2,500 each	NA
3	Maintenance and calibration of EFM Equipment [REDACTED] 8 hours/year	NA
	replacement board	NA
	replacement modem	NA
	replacement battery (5 years)	NA
	Misc. materials	NA
4	Annual Regulator Testing and Repair (4 hours) [REDACTED]	[REDACTED]
	Misc. materials	[REDACTED]
5	Line Maintenance - CP, Leak Surveys, Locates [REDACTED]	[REDACTED]
6	Miscellaneous Expense	[REDACTED]
7	Total Estimated O&M Expenses	[REDACTED]

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9. Referring to Exhibit C to the petition, please explain and show the derivation of the amount shown in Line 5, Return Requirements.

A. The Line 5 Return Requirements is a product of PGS' overall cost of capital (6.64%) derived from PGS' December 31, 2013 Earnings Surveillance Report multiplied by the gross investment in plant less depreciation.

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