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March 22, 2018

**ELECTRONIC FILING**

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

**Re: Docket No. 20180043-GU – Petition for approval of Area Extension Plan Rate Extension Agreement with United States Sugar Corporation, by Florida City Gas.**

Dear Ms. Stauffer:

Attached for filing, please find Florida City Gas's responses to Staff's First Data Requests in the referenced docket.

Thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



Beth Keating  
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Tallahassee, FL 32301  
(850) 521-1706

**Docket No. 20180043-GU – Petition for approval of Area Extension Plan Rate Extension Agreement with United States Sugar Corporation, by Florida City Gas.**

1. Have there been any changes to the infrastructure serving the Glades AEP Project since the 2015 request in Docket No. 20150232-GU?

FCG Response:

**Glades Infrastructure**

*Installations since 2015 Docket No. 20150232-GU*

Address	Description	Size/type	Footage	Complete Date	AFE#	Cost
3010 County Rd 835	H&H Sludge main	4" ST	267'	4/4/2016	145970	\$ 55,629
3010 County Rd 835	H&H Sludge service	2" ST	583'	4/4/2016	35819	\$ 29,826
3055 Evercane Rd	Atio main	6" PE	1375'	under construction	161975	incomplete
3055 Evercane Rd	Atio service	4" PE	388'	1/26/2018	35819	\$ 9,671
3055 Evercane Rd	Atio regulator	4" ST		under construction	161975	incomplete

2. Have any customers joined or disconnected from the Glades AEP Project infrastructure since the 2015 request?

FCG Response:

As of January 2015, there were 35 active customers on the Glades AEP area gas system. Since 2015, there were 8 customers lost and 15 gained therefore as of March of 2018, there are 42. There are several additional customers who have requested natural gas service and are expected to become active within the next several months.

3. Has the citrus canker blight referenced in the 2015 AEP true-up delay request ended and production resumed as fully as anticipated? Has U.S. Sugar's gas use matched the growth as forecasted in 2015?

FCG Response:

Our customer, Southern Gardens Citrus, informed us in 2015 that they, along with the rest of the citrus industry, had felt major impacts from canker eradication efforts in the

early 2000's. In 2005 HLB or Citrus Greening was discovered in a commercial grove, but the crop seemed to have stabilized and had recovered somewhat by 2011 when the company entered into an agreement with Florida City Gas. Beginning in 2012, citrus greening began to impact production in a progressively detrimental way in the years following. By 2015, production had fallen off considerably but the industry, including Southern Gardens had been replacing the trees since 2008 in an attempt to stay ahead of the disease until research efforts could find a solution. As of late summer in 2017, Southern Gardens and the industry was optimistic that their citrus crop to be harvested and processed during their juice production season (December 2017 to May 2018) was going to be a better crop in terms of harvest yield than they had experienced over the last several years. Then Hurricane Irma came through in September of 2017 and caused as high as 89% fruit losses in the southwest Florida region where the majority of their groves are located. Fortunately, the damage from the hurricane was relatively light in terms of the trees themselves, except in the very southwest growing area, but the loss of the fruit will have a large impact on their production of orange juice and the use of natural gas during the period. Southern Gardens does expect continued progress in terms of the production potential of newly planted trees in the future.

4. In reference to item 10 on page 4 of the petition, have any additional unanticipated challenges arisen since the 2015 request? Please provide a brief update on the status of these issues.

FCG Response:

The only unanticipated change since the 2015 request was the significant 80% loss of the 2017 – 2018 citrus crop due to Hurricane Irma. The trees themselves were not significantly damaged, but orange juice production between December 2017 and May of 2018 will be diminished due to the availability of product.

5. Please refer to item 14 on page 6 of the petition. Please explain and show how the recalculated per therm charges (\$0.629/therm and \$0.301/therm) were derived.

FCG Response:

The calculation of the \$0.629 /therm rate as shown of DR5-Exhibit A, is based on the assumption that the monthly volumes for the 12 months ended October 2017 will continue through November 2024, with the revised rate being effective February 2018. The \$0.629 / therm rate is computed using the Excel Goal Seek Function to determine the rate in Cell I 19 that will result in the un-recovered balance at November 31, 2024 being "0". (Cells H19 and D171).

The calculation of the \$0.301/therm rate is provided as an attachment to the response for DR 12. The calculation uses the same volumetric assumptions as the calculation of the \$0.629/therm rate. The Company's cost of equity component of the approved Rate of Return was changed to zero (0) per the agreement.

6. Please refer to item 14 on page 6 of the petition. If the \$5 million reduction of the recovery on the Glades AEP Project affects the general body of rate payers in any way, please explain how. If not, please state how the loss of \$5 million will affect FCG.

FCG Response:

The \$5 million reduction does not affect FCG's rate payers in any way. The Glades AEP surcharge is recovered directly from the customers receiving natural gas service from the Glades facility. The surcharge is calculated to recover all project costs above the MACC. At the end of the project, shareholders are at risk for all unrecovered costs.

7. Again referencing item 14 on page 6, does the \$5 million in under-recovery take into the account the three year extension of the AEP surcharge (or just the recalculated surcharges)?

FCG Response:

Yes, the \$5 million under-recovery includes the three year extension of the AEP surcharge.

8. Please refer to item 17 on page 6 of the petition. To receive the additional surcharge calculation after the November 2022 true-up, from what baseline date must U.S. Sugar demonstrate a 6% increase in natural gas consumption? Is that new surcharge applied only to U.S. Sugar or to all customers on the Glades AEP Project?

FCG Response: The baseline would be November 1, 2022, and the new surcharge would be charged to all customers on the Glades AEP line.

9. In reference to item 18 on page 6 of the petition, how was the 87.13% of contribution in aide of construction decided upon for U.S. Sugar to be responsible? Please explain any calculations that may be necessary.

FCG Response:

The total capital spend for the Glades AEP extension was \$17,766,609 and is found in Exhibit A. The cost associated with serving US Sugar and Affiliates is was \$15,488,523 which is approximately 87.13% of the total capital spend for the project.

10. In reference to item 23 on page 7 of the petition, can it be shown that the 36 of the 38 customers on the Glades AEP Project
  - a. accepted the extension and
  - b. fully understood the impacts it may have?

FCG Response:

A Company representative personally visited each customer to have in person conversations to ensure that they understood the AEP program and the effort being made by the Company to keep that surcharge as low as possible. The Company representative did take notes from each visit which are attached, in abbreviated version, as Exhibit B.

11. Please explain and show the derivation of the carrying cost of \$3,332,088 on page 1 of the Agreement.

FCG Response:

Please refer to Exhibit A in excel format with formulas. You will find the calculation of the carrying costs in column J. Since this model allowed for varying timeframes of

recovery, the total in column J would begin with the first month, but conclude at the month per the agreement, October 2017, which is row 208.

The carrying costs is a calculation that applies the Rate of Return per Docket 030569 to the average monthly recoverable balance. The cost of equity component of the approved Rate of Return was changed to zero (0) per the agreement.

12. Please include the Excel spreadsheets from Exhibit A with the formulas intact.

FCG Response:

Find attached DR5-Exhibit A in excel format with formulas.

13. If the proposed petition is approved, when will the revised AEP surcharges go into effect? Page 2 of the Agreement states the Effective Date of the revised AEP surcharges is January 31, 2018. Please state whether FCG has started charging the revised AEP surcharges.

FCG Response:

The revised AEP surcharge began being billed with March 2018 billing cycles, and customer bills were adjusted to account for their February 2018 throughput. The Company has implemented the AEP surcharge adjustment consistent with the tariffed mechanism with the only modification being to assess the lower, agreed-upon surcharge rate, as opposed to the significantly higher calculated surcharge that otherwise would apply.

DR 5 Exhibit A

Docket No. 030569  
 Rate of Return Per PSC-04-0128-PAA-GU

		Cap Structure	Rate	Weighted Cost	Tax GrossUp	Grossed up for Tax Factor
Cost of Equity	\$ 44,083,240	36.77%	11.25%	4.14%	1.6033	6.63%
Long-term Debt	\$ 48,347,307	40.32%	6.43%	2.59%	1.00	2.59%
Short-term Debt	\$ 9,252,522	7.72%	3.90%	0.30%	1.00	0.30%
Customer Deposits	\$ 5,833,009	4.86%	6.70%	0.33%	1.00	0.33%
Deferred Taxes-Zero Cost	\$ 11,845,018	9.88%	0.00%	0.00%	1.00	0.00%
Tax Credit-Zero Cost	\$ 536,361	0.45%	0.00%	0.00%	1.00	0.00%
<b>TOTAL (Annual)</b>	<b>\$ 119,897,457</b>			<b>7.36%</b>		<b>9.85%</b>
<b>Monthly Rate</b>						<b>0.82%</b>

Projected Investment  
 End Nov 2024

Original MACC 5,958,718 \$ (0.00) Required Rate to recover cost **\$ 0.629** Goal Seel

Additional Annual Volume 2018

Florida City Gas, Inc.  
Area Expansion Program -

Glades

		Total	MACC	AEP
Investment Initial	12,700,187.22		\$ 5,958,718.00	\$ 6,741,469
<b>Investment Added</b>				
Nov-12		12,700,187		6,741,469
Dec-12	415,305.74	13,115,493		7,156,775
Jan-13	415,413.52	13,530,906		7,572,188
Feb-13	314,343.91	13,845,250		7,886,532
Mar-13	70,918.01	13,916,168		7,957,450
Apr-13	650,643.02	14,566,811		8,608,093
May-13	858,458.29	15,425,270		9,466,552
Jun-13	5,852.66	15,431,122		9,472,404
Jul-13	502,743.22	15,933,866		9,975,148
Aug-13	40,630.36	15,974,496		10,015,778
Sep-13	20,703.42	15,995,199		10,036,481
Oct-13	230,268.63	16,225,468		10,266,750
Nov-13	314,762.17	16,540,230		10,581,512
Dec-13	193,256.24	16,733,486		10,774,768
Jan-14	5,940.77	16,739,427		10,780,709
Feb-14	414,483.04	17,153,910		11,195,192
Mar-14	93,030.15	17,246,940		11,288,222
Apr-14	99,657.30	17,346,598		11,387,880
May-14	86,965.90	17,433,564		11,474,846
Jun-14	37,943.27	17,471,507		11,512,789
Jul-14	49,536.90	17,521,044		11,562,326
Aug-14	38,131.08	17,559,175		11,600,457
Sep-14	40,624.48	17,599,799		11,641,081
Oct-14	8,467.46	17,608,267		11,649,549
Nov-14	10,858.32	17,619,125		11,660,407
Dec-14	3,625.52	17,622,751		11,664,033
Jan-15	2,490.62	17,625,241		11,666,523
Feb-15	92,704.19	17,717,945		11,759,227
Mar-15	3,167.61	17,721,113		11,762,395
Apr-15	34,759.88	17,755,873		11,797,155
May-15	8,934.18	17,764,807		11,806,089
Jun-15	283.49	17,765,091		11,806,373
Jul-15	149.80	17,765,240		11,806,522
Aug-15	1,376.13	17,766,617		11,807,899
Sep-15	(7.78)	17,766,609		11,807,891
Oct-15	-	17,766,609		11,807,891
Nov-15	-	17,766,609		11,807,891
Dec-15		17,766,609		11,807,891
Jan-16		17,766,609		11,807,891
Feb-16		17,766,609		11,807,891
Mar-16		17,766,609		11,807,891
Apr-16		17,766,609		11,807,891
May-16		17,766,609		11,807,891
Jun-16		17,766,609		11,807,891
Jul-16		17,766,609		11,807,891
Aug-16		17,766,609		11,807,891
Sep-16		17,766,609		11,807,891
Oct-16		17,766,609		11,807,891
Nov-16		17,766,609		11,807,891
Additional Investment	\$ 5,066,422		\$ 5,066,421	
<b>Total</b>	<b>\$ 17,766,609</b>		<b>\$ 5,958,718</b>	<b>\$ 11,807,891</b>

**EXHIBIT B**

Premise	Account#	Name	Visit Date	Met with	
1014 W SUGARLAND HIGHWAY	6756655193	SOUTHERN MANAGEMENT CORP	15-Feb	Juvenal Blanco / RM	Not happy about any increase but admits that they are still saving over propane. Asked that we work to extend service to the Burger King and Popeye's in Belle Glade
1020 W SUGARLAND HIGHWAY	3819676253	BEST WESTERN	14-Feb	Vivian Perez / GM	Understands the reason for the increase. Said that another company was trying to get their business but she's staying with FCG.
1024 W SUGARLAND HIGHWAY LOT 2	3740879228	HOLIDAY INN EXPRESS	14-Feb	Betsy Rodriguez / GM	Understood. No comments
1030 W SUGARLAND HIGHWAY	9208206329	SONNYS REAL PIT BBQ	14-Feb	Lizzie Rodriguez / GM	Understood. No comments
108 ROYAL-PALM AVENUE LOT 5	1408135027	SHRIJI HOSPITALITY LLC	14-Feb	Sean Patel / Owner	Very grateful for FCG working to keep the rate from going up more than it is.
108 ROYAL-PALM AVENUE LOT E	5011752163	SHRIJI HOSPITALITY LLC	14-Feb	Sean Patel / Owner	
108 ROYAL-PALM AVENUE LOT 4	4767853103	SHRIJI HOSPITALITY LLC	14-Feb	Sean Patel / Owner	
114 N SAN-JOSE STREET LOT 17	3136330378	AZTECA MEXICAN FOODS	15-Feb	Himay Luna / GM	Understood. No comments
202 W VENTURA AVENUE BLDG 1	1406515241	OLGUINS RESTAURANT MARKET	15-Feb	Lucy Olguin / GM	Okay with the increase. Wants to convert restaurant next door from propane to natural gas.
301 COMMERICO STREET	1067952373	AMANY LAUNDRY	15-Feb	Edson Atalla / Owner	Says he is happy with our service and would never go back to propane. Says no one likes cost increases but they are a fact of life.
307 E SUGARLAND HIGHWAY LOT 8	6646312509	JULIOS CAFE TROPICAL	19-Feb	Julio Rodriguez / Owner	Asked if there are any ways for him to save on his gas bills. Explained Supplier Choice. Emailed supplier link today.
335 W SUGARLAND HIGHWAY LOT 1	4504996154	EXECUTIVE ROYAL INN	14-Feb	Harry Patel / Owner	Not happy about increase but glad it isn't more.
335 W SUGARLAND HIGHWAY LOT 1	1982244594	EXECUTIVE ROYAL INN	14-Feb	Harry Patel / Owner	
338 W SUGARLAND HIGHWAY LOT 6	8292254363	SHRIJI OF CLEWISTON LLC	14-Feb	Sean Patel / Owner	Very grateful for FCG working to keep the rate from going up more than it is.
400 N FRANCISCO STREET	4376698050	CLEWISTON MARINA INC	14-Feb	Mary Ann / Owner	Asked if Electric is cheaper. Discussed cost differences.
411 W SUGARLAND HIGHWAY LOT 4	7683778571	KFC INC	19-Feb	Mona Shows	Understood. No comments
412 W SUGARLAND HIGHWAY LOT 20	8401521442	MOTOR INN	15-Feb	Mike Patel / Owner	Says he has water heater that needs to be converted. Not happy with increase but grateful that it isn't more.
433 W SUGARLAND HIGHWAY LOT 21	8451221399	WEST EXPRESS INN	14-Feb	Harry Patel / Owner	Not happy about increase but glad it isn't more.
444 E SUGARLAND HIGHWAY LOT 12	2516231086	TAQUERIA JALAPENOS RESTAURAN T			Manager not available. Left card.
504 E SUGARLAND HIGHWAY	6720302505	ACTION BUSINESS CORP	15-Feb	Sylvia Jackson / GM	Recently installed tankless w/htr. Would like help with rebates. Popeye's

524 W SAGAMORE AVENUE	3715568463 HENDRY REGIONAL MEDICAL CENTER	14-Feb	Beatrice Acosta / Dir Eng.	
524 W SAGAMORE AVENUE LOT 1	880195415 HENDRY REGIONAL MEDICAL CENTER	14-Feb	Beatrice Acosta / Dir Eng.	Bea wants to express her deepest gratitude keeping the hospital's costs down as much as possible.
548 E ALVERDEZ AVENUE LOT 14	429967260 MAXIS SCREEN PRINTING	15-Feb	John Mack / Owner	Understands the increase. Mentioned the airport project.
621 E SUGARLAND HIGHWAY LOT 1	3365246281 PLAZA TRAVEL INN	14-Feb	Vivian Perez / GM	Understood increase. Happy with Supplier Choice
642 E SUGARLAND HIGHWAY LOT 16	8127474273 CLEWISTON MARATHON INC	15-Feb	M. Ali / Shift Mgr.	Understood. No comments
718 E SUGARLAND HIGHWAY # A	151753347 KATYS SEAFOOD CAFE	14-Feb	Katy Reyes / Owner	Talked with the aid of a translator
718 E SUGARLAND HIGHWAY LOT 16	370565227 MGM COIN WASH CO	14-Feb	Gilbert Millian / Owner	Understood. No comments
720 E SUGARLAND HIGHWAY	4733254169 BONAFIDE BAKERY AND COFFEE LLC			Closed every time I went.
806 E SUGARLAND HIGHWAY LOT 17	8759714511 LA FRONTERA SUPERMARKET	15-Feb	Hector Garcia / GM	Understood. No comments
820 E SUGARLAND HIGHWAY LOT 22	8031133130 RELAX INN	15-Feb	Mike Patel / Owner	
820 E SUGARLAND HIGHWAY LOT 3	9409654467 RELAX INN	15-Feb	Mike Patel / Owner	Says he has water heater that needs to be converted. Not happy with increase but grateful that it isn't more.
820 E SUGARLAND HIGHWAY LOT 2	6219884470 RELAX INN	15-Feb	Mike Patel / Owner	
820 E SUGARLAND HIGHWAY BLDG 1	7188828183 RELAX INN	15-Feb	Mike Patel / Owner	
842 E SUGARLAND HIGHWAY LOT 17	1523798460 SUNRISE AUTHENTIC MEXICAN	15-Feb	Francisco Revera / GM	Understood. No comments
892 W SUGARLAND HIGHWAY LOT 4	8123017281 BEEF O BRADY'S CORP	14-Feb	Randy Maxon / Owner	Owner says that we're still less than half of what he was paying for propane.
920 E DEL-MONTE AVENUE BLDG 1	793074021 ROLAND MARTINS MARINA CORP	14-Feb	Mary Ann / Owner	Asked if Electric is cheaper. Discussed cost difference elect. V. gas.
920 E DEL-MONTE AVENUE	4478184337 ROLAND MARTINS MARINA CORP	14-Feb	Mary Ann / Owner	Mentioned the airport project and said we should be pushing gas there. Told her we like the way she thinks and are already doing that
930 E SUGARLAND HIGHWAY	1095990472 WEDGWORTH'S INC	15-Feb	Mike Langston/GM	Asked for help with rebates. They have removed their boiler and installed 15-tankless water heaters.