

PEOPLES GAS SYSTEM  
DOCKET NO. 110271-GU & 110277-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 1  
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1. Please state how many interconnections Peoples has with FGT and how many with SNG in this area west of Jacksonville.
  - A. PGS has four interconnections with FGT and two interconnections with SNG in the Jacksonville area. The SNG Baldwin and Baker County interconnections are west of Jacksonville as is the FGT Lawtey interconnection.

**REDACTED**

COM \_\_\_\_\_  
APA \_\_\_\_\_  
ECR | \_\_\_\_\_  
GCL \_\_\_\_\_  
RAD \_\_\_\_\_  
SRC \_\_\_\_\_  
ADM \_\_\_\_\_  
OPC \_\_\_\_\_  
CLK \_\_\_\_\_

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- 2.** Please discuss the timeline of the construction process.
  - A.** The design of the two 12-inch pipelines has been completed and the permitting process began in late 2011. The pipe will be milled in March 2012 and is scheduled to be coated and delivered in late April 2012. Actual construction is scheduled to begin the first week in May 2012. All upland and wetland construction as well as submerged land crossings are scheduled to take place throughout the summer and early fall of 2012. The Company anticipates the pipe to be completed in late October or early November 2012, with testing occurring prior to the 2012 Thanksgiving holiday. The two lines are scheduled to be placed in service at the end of November 2012.

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- 3.** Regarding the temporary release of interstate pipeline capacity on FGT to FPUC, please state:
- a. The expected annual savings to Peoples' customers through the PGA resulting from the release of the capacity
  - b. Will FPUC need the capacity on a permanent basis? If so, please state the reason(s) the release is referred to as being "temporary."
  - c. State the reason(s) why Peoples has excess pipeline capacity allowing Peoples to release some to FPUC. State whether Peoples' ratepayers are paying for it through the PGA.
- A.**
- a. The release rate under the Capacity Release Agreement between Peoples and FPUC is \$0.595 per dekatherm. The annual savings to Peoples' customers through the PGA would depend on the quantity of capacity released under the agreement to FPUC from time to time. For example, if the average daily capacity released during a year was only 1,000 dekatherms, the annual savings would be \$217,175. If average during a year was the full quantity of the capacity (7,500 dekatherms per day), the savings to Peoples' customers through the PGA for that year would be \$1,628,813.
  - b. PGS does not know if FPUC will need the capacity on a permanent basis, given the possibility that capacity could become available from other pipeline sources at some point in the future. The release is referred to as a "temporary" release because (i) PGS maintains ultimate control of the capacity if FPUC has no use for it after the initial term of the agreement and (ii) PGS can recall the capacity in order to modify receipt and delivery points under the terms and in the quantities contemplated by the release. The "temporary" release is distinguishable from a "permanent" release in that a permanent release would be equivalent to PGS giving up all rights to the released capacity forever. Additionally, the temporary release will enable FPUC to "grow into" up to 7,500 MMBtu per day of capacity, rather than being required to pay reservation charges on this full quantity starting on the first day of its Nassau County expansion.
  - c. PGS maintains a certain quantity of "excess" pipeline capacity in order to meet needle peak winter demands of its firm sales customers on a primary firm basis. When the capacity is not

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needed to meet demand, it is released on FGT's electronic bulletin board, used by PGS to make Off System Sales (75% of the margin from which is credited to the PGA), and utilized to serve growth markets such as Nassau County. In addition, excess capacity is created from time to time as the result of economic downturns, the turn back of capacity resulting from Individual Transportation Service (ITS) customer business closings, as well as because PGS does not require its ITS customers to acquire PGS' capacity.

While the costs of such capacity is included in the PGA for recovery, these costs are mitigated through releases on the FGT bulletin board and PGS' Off System Sales. In addition, since PGS' capacity on the FGT system is historical capacity (FTS-1 and FTS-2) that was purchased under long term service agreements, this capacity is priced at rates significantly below the rate for capacity created by the most recent FGT expansion (FTS-3).

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**4.** Please provide a breakdown of Peoples' expansion costs into Nassau County between costs incurred for construction of the white line, yellow line, and orange line on the map provided at the March 7, 2012 meeting. Please provide the information by line segment.

**A.** PGS' costs for the individual line segments are as follows:

1. The white line (2.25 miles of 20-inch replacement pipe) - [REDACTED]
2. The yellow line (16.2 miles of new 12-inch pipe) - [REDACTED]
3. The orange line (16.9 miles of new 12-inch pipe) - [REDACTED]

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- 5.** Please state the costs Peninsula will be responsible for, and the costs for which RockTenn will be responsible.
- A.** RockTenn will be responsible for the costs [REDACTED] associated with the originally planned 8-inch line originating at PGS' existing 12-inch line in the north Jacksonville area and terminating at the RockTenn plant on the northern end of Amelia Island.

Peninsula will be responsible for the incremental costs [REDACTED], which includes the cost to replace 2.25 miles of existing PGS 12-inch with 20-inch pipe) of constructing the 12-inch line originating at the same point as the original 8-inch line and extending to the Duval-Nassau County line.

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- 6.** Please state the manner in which RockTenn will pay for the construction costs assigned to it.
  - A.** RockTenn is responsible for the construction costs that are based on the original 8-inch pipeline costs. These costs will be recovered by PGS pursuant to its Gas Transportation Agreement with RockTenn which provides for a monthly payment to recover, over the 20-year term of the agreement, the charges payable under PGS's tariff and the cost of the pipe construction.

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7. Regarding the Gas Transportation Agreement between Peoples and Peninsula filed in Docket No. 110277-GU, please discuss the costs the reservation charge is designed to recover.
  - A. The costs included in the Gas Transportation Agreement between PGS and Peninsula which the reservation charge is designed to recover are the incremental construction costs (between the original 8-inch pipe and the necessary 12-inch pipe), the 2.25 miles of 20-inch replacement pipe, the incremental O&M associated with this section of pipe, and PGS' return over a 15 year period.



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**8.** Please provide workpapers showing that the reservation charge recovers all costs Peoples incurs to serve Peninsula and that Peoples' ratepayers are not adversely affected by the agreement.

**A.** See attached workpapers, which are explained generally below:

Page 3 of 14 - Construction cost estimate for the original 8-inch steel pipeline extending from the PGS-owned black line to RockTenn on the north end of Amelia Island. Smurfitt-Stone Container merged with RockTenn in the summer of 2011, changing the facility's name to RockTenn.

Page 4 of 14 - Construction cost estimate for the 12-inch steel pipeline (the yellow line) extending from the PGS-owned black line to the Duval/Nassau County line

Page 5 of 14 - Construction cost estimate for the 12-inch steel pipeline (the orange line) extending from the Duval/Nassau County line (the yellow line) to RockTenn on the north end of Amelia Island

Page 6 of 14 - Construction cost estimate for the 2.25 miles of 20-inch pipe (the white line)

Page 7 of 14 - The construction cost estimate for the Amelia River crossing (part of the orange line)

Page 8 of 14 - Capital cost allocation methodology based on capacity ownership percentages

Page 9 of 14 - Breakdown of capital cost responsibility between PGS and PPC

Page 10 of 14 - Description of the project segments and the associated cost responsibility of each segment

Page 11 of 14 - Capital project summary for the 2.25 miles of 20-inch pipe (the white line)

Page 12 of 14 - Capital project summary for the 12-inch steel pipeline extending from the PGS owned black line to the Duval/Nassau County line (the yellow line) plus the RockTenn meter set

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Page 13 of 14 - Capital project summary for the 12-inch steel pipeline extending from the Duval/Nassau County line to RockTenn located on the north end of Amelia Island (the orange line) and includes the associated Peninsula revenue

Page 14 of 14 - Capital project summary for the 2.25 miles of 20-inch pipe (the white line), the 12-inch steel pipeline extending from the PGS owned black line to Duval/Nassau County line (the yellow line), and the 12-inch steel pipeline from the Duval/Nassau County line to RockTenn (the orange line) and includes the associated RockTenn and Peninsula revenue

RockTenn

8/1/2011

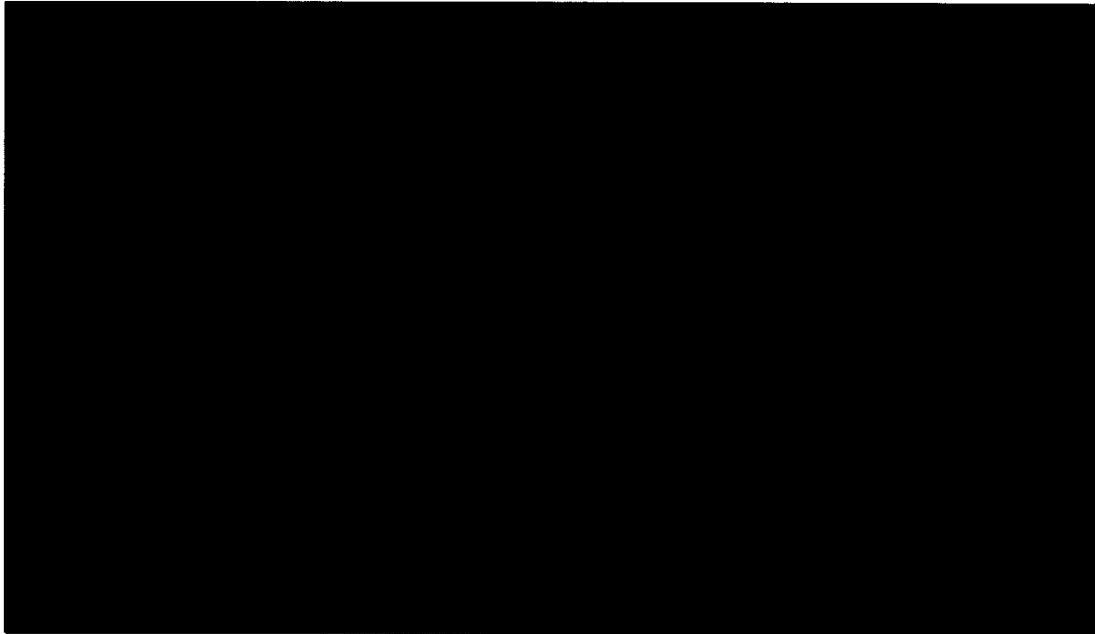
**Smurfitt in Fernandina Beach  
Estimate**

Miles  
Feet  
Cost per Foot  
Cost per Mile

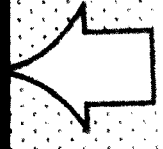
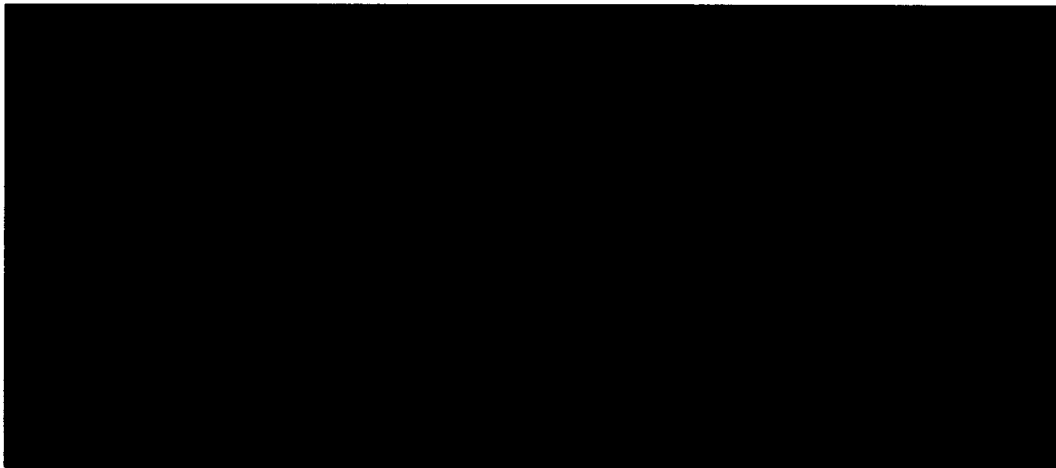
8" Pipeline  
Meter and Regulator Stations  
Contingency  
Total



8" Pipeline			Unit	Extended
Est. Quantity	Units	Description	Cost	Cost



Meter and Regulator Stations			Unit	Extended
Est. Quantity	Units	Description	Cost	Cost



110271-97  
110271-93

### RockTenn in Fernandina Beach Estimate To County Line

[REDACTED]

Miles  
Feet  
Cost per Foot  
Cost per Mile

12" Pipeline  
Meter and Regulator Stations  
Contingency  
Total

[REDACTED]

12" Pipeline			Unit	Extended
Est. Quantity	Units	Description	Cost	Cost

[REDACTED]

Meter and Regulator Stations			Unit	Extended
Est. Quantity	Units	Description	Cost	Cost

[REDACTED]

**RockTenn in Fernandina Beach  
Estimate  
County Line to RockTenn Plant**

[REDACTED]

Miles  
Feet  
Cost per Foot  
Cost per Mile

12" Pipeline  
Meter and Regulator Stations  
Contingency [REDACTED]  
Total

[REDACTED]

12" Pipeline				
Est. Quantity	Units	Description	Unit Cost	Extended Cost

[REDACTED]				
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Meter and Regulator Stations				
Est. Quantity	Units	Description	Unit Cost	Extended Cost

[REDACTED]				
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REDACTED

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**RockTenn in Fernandina Beach  
Estimate  
20" Replacement Pipe on Kings Ave.**

	Miles Feet Cost per Foot Cost per Mile	Meter and Regulator Stations	20" Pipeline Contingency 	
			Total	

20" Pipeline				
Est. Quantity	Units	Description	Unit Cost	Extended Cost



open lay

bore

2 valves

pipe  
install  
permit  
NDE  
inspection

county line to plant

	Deintherms	12 inch to City Line	Total To City Line	City Line to BKT	Total	City Line to BKT	City Line to BKT	Total
Rock Tenn PH 1								
Total								



Amelia Island Expansion

Description	% Ownership		Cost			Contingency			Cost, Excluding Contingency		
	PGS	Peninsula	PGS	Peninsula	Total	PGS	Peninsula	Total	PGS	Peninsula	Total
Jacksonville-County Line: 16.2 mile	100.00%										
River Crossing	54.54%	45.46%									
County Line-RockTenn, Ex. River Crossing	54.54%	45.46%									
County Line - RockTenn: 16.9 miles	54.54%	45.46%									
20" Loop: 2.25 mile upgrade to 20"	100.00%										
Total: 33.1 miles											

**Total Project:**

1. The total estimated cost to construct the Fernandina Beach Line including the Amelia River crossing is [REDACTED] (including [REDACTED] for contingency).
2. The total estimated cost of the Amelia Island River crossing is [REDACTED] (including [REDACTED] contingency).
3. The total cost of the Fernandina Beach Line exclusive of the Amelia Island Crossing is [REDACTED] (including [REDACTED] contingency).

**FPUC – Amelia River Crossing Construction:**

1. PGS shall be responsible for 54.54% of the actual costs of the Amelia River Crossing up to [REDACTED]
2. PPC shall be responsible for 45.46% of the actual costs of the Amelia River Crossing plus all cost in excess [REDACTED]

**PGS – Remaining Fernandina Beach Line Construction:**

1. PGS shall be responsible for 54.54% of actual cost the Fernandina Beach Line (exclusive of the Amelia Crossing) plus all cost in excess of [REDACTED]
2. PPC will be responsible for 45.46% of actual cost the Fernandina Beach Line (exclusive of the Amelia River Crossing) up to [REDACTED]

		54.54%	45.46%
<u>PGS Cost Estimate</u>	<u>Project Costs</u>	<u>PGS Share</u>	<u>PPC Share</u>
Total Project Costs	[REDACTED]		
Amelia River Crossing	[REDACTED]		
Remainder of FB Line	[REDACTED]		
<u>FPUC Cost Estimate</u>	<u>Project Costs</u>	<u>PGS Share</u>	<u>PPC Share</u>
Total Project Costs	[REDACTED]		
Amelia River Crossing	[REDACTED]		
Remainder of FB Line	[REDACTED]		

2012 RockTenn - 20 Inch System Upgrade (#1)  
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1-15		Customers		Estimated Annual Thermo	
With Terminal Value					ROE	ROA	Residential	Commercial	Residential	Commercial
Without Terminal Value										
Capital Investment										

	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2017 Year 6	2018 Year 7	2019 Year 8	2020 Year 9	2021 Year 10	2022 Year 11	2023 Year 12	2024 Year 13	2025 Year 14	2026 Year 15	With Terminal Value
<b>After-Tax Net Cash Flow</b>																
Current Year																
Cumulative																
NOTE (1) - The year when the the original investment is recouped.																
<b>Net Income</b>																
Current Year																
Cumulative																
<b>Capital Investment</b>																
Current Year																
Cumulative																
Customer Deposit																
CIAC (Developer or Builder Provided)																
EC Payments for CIAC																
MEP Payments																
070 Payments																
Net Capital : Cumulative																
<b>Customer Profile</b>																
Current Year - Residential																
Cumulative - Residential																
Current year - Commercial																
Cumulative - Commercial																
ROE																
ROA																

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2012 RockTenn Joint Project PGS/PPC (#3)  
Capital Project Summary

	NPV	IRR	BCR	Project Payback	Avg. Year 1-15		Customers		Estimated Annual Theme	
					ROE	ROA	Residential	Commercial	Residential	Commercial
With Terminal Value										
Without Terminal Value										

Capital Investment

	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2017 Year 6	2018 Year 7	2019 Year 8	2020 Year 9	2021 Year 10	2022 Year 11	2023 Year 12	2024 Year 13	2025 Year 14	2026 Year 15	With Terminal Value
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After-Tax Net Cash Flow	[REDACTED]															
Current Year	[REDACTED]															
Cumulative	[REDACTED]															
NOTE (1) - The year when the the original investment is recouped.	[REDACTED]															
Net Income	[REDACTED]															
Current Year	[REDACTED]															
Cumulative	[REDACTED]															
Capital Investment	[REDACTED]															
Current Year	[REDACTED]															
Cumulative	[REDACTED]															
Customer Deposit	[REDACTED]															
CIAC (Developer or Builder Provided)	[REDACTED]															
EC Payments for CIAC	[REDACTED]															
MEP Payments	[REDACTED]															
070 Payments	[REDACTED]															
Net Capital : Cumulative	[REDACTED]															
Customer Profile	[REDACTED]															
Current Year - Residential	[REDACTED]															
Cumulative - Residential	[REDACTED]															
Current year - Commercial	[REDACTED]															
Cumulative - Commercial	[REDACTED]															
ROE	[REDACTED]															
ROA	[REDACTED]															

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- 9.** Please explain how the usage charge was determined and how and when the usage charge will be applicable.
  
- A.** The usage charge is a negotiated rate that is meant to be competitive with other pipeline alternatives PPC may have in the future. The usage charge will be applicable on volumes consumed on a daily basis that are greater than 7,500 dekatherms.