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May 22, 2015

HAND DELIVERY

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

Re: **Docket No. 150116-GU – Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas**

Dear Ms. Stauffer:

Enclosed for filing, please find the original and five (5) copies of the Responses of Florida City Gas to the First Set of Data Requests from Commission staff 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,

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Docket No. 150116-GU – Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas

RESPONSES OF FLORIDA CITY GAS TO COMMISSION STAFF'S

FIRST DATA REQUESTS

1. In its petition, FCG states that the program will "expedite" making necessary changes. How long would the relocations and replacements take if the projects were not expedited?

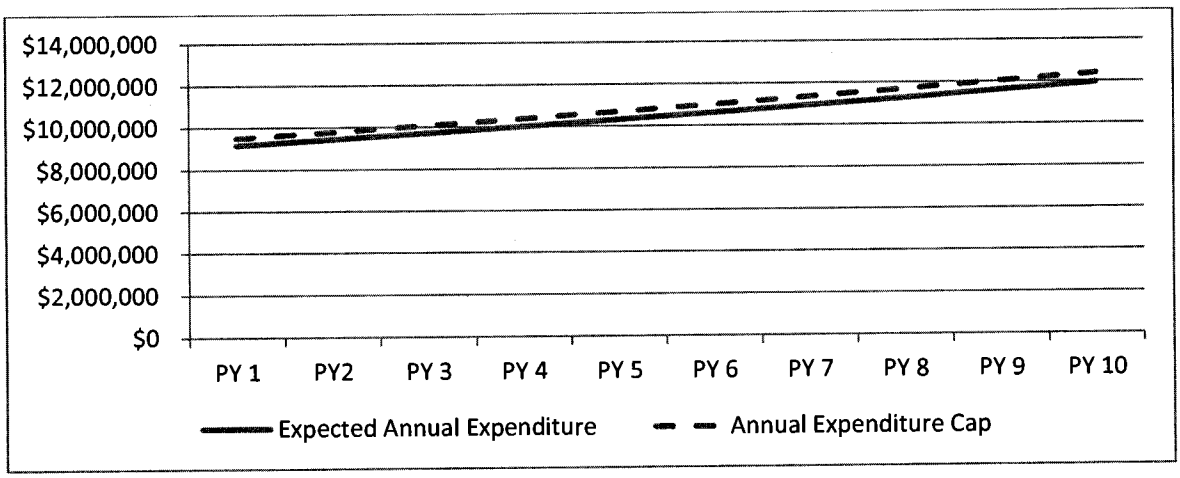
Response:

It is not possible to provide a definitive time frame for the specified scenario. Without a backyard main replacement program for FCG, such as the proposed SAFE Program, this type of work would only occur on a case-by-case review basis or as a result of another issue (damages, leaks, corrosion, etc.). Therefore, without implementation of a defined, expedited program such as requested in this docket, FCG is unable to identify a definable start and end date for the replacements and relocations that would be addressed by this program.

2. Paragraph 13 (2) on page 8 of the petition discusses the total capital budget of no more than $9,500,000 in the first full calendar year, however the program cost chart on page 5 of Exhibit A shows that level of spending is not expected until after the 2nd year. Please reconcile and explain the difference.

Response:

The costs shown in Exhibit A are the best available estimate of the annual program expenditures, but actual expenditures will fluctuate with implementation. The capital expenditure cap is designed to allow for these normal fluctuations in expenditures, while ensuring that the total program capital expenditures do not grow at a rate that is inconsistent with the SAFE Program the Company has proposed.



3. The $74,112,387 shown in the second line of text on page 5 of Exhibit A does not seem to appear in any of the data in the Exhibits A or B. Please explain what that dollar amount represents and what is its basis.

Response:

The $74,112,387 shown in the table is based on the historic per foot cost of the pipe size and material that is expected to be removed. As is described below in the response to question 4, the Company expects to replace approximately 20% more pipe than the amount that is retired as part of the project. In addition to the additional pipe footage, the Company has assumed a 3% annual increase in the cost per foot of replacement because we have experienced similar annual increases in the past.

4. In Exhibit A, the total footage data on page 4 (1,104,576 for 2" and 239,184 for 4") does not appear close to the 10-year total footage shown on page 5. Please explain the difference.

Response:

Based upon the Company's historical experiences with the Galvanized Replacement Program, FCG estimates that the relocation of mains from rear lot easements to the road right-of-way requires approximately 20% more mains to be installed than are retired. The 10-Year Plan on page 5 of Exhibit A incorrectly notes that it is for equal installations rather than this extra footage, resulting in the discrepancy noted.

5. Please refer to Exhibit C and explain and show the derivation of the percentage allocation to customer class factors. Also, the table has a note (1), which does not appear in the table.

Response:

Work Paper 2 to Exhibit C derives the percentage allocation factors for each class. The cost of the SAFE Program is driven by the cost of reconnecting existing customers to the system. Consequently, the Company believes that the allocation of costs across the customer classes should also be driven by the costs of reconnecting that class of customers to the system. The Company believes that the alternative approach of allocating costs based on the peak and average natural gas throughput of each class would ignore the key economic driver of the SAFE Program, which is the cost to the FGC system associated with reconnecting existing customers, not the cost build out a complete appropriately sized natural gas distribution system.

To establish the total cost of connecting each customer class, we established two cost pools. One cost pool that is allocated to all customers, because all customer connections require installation of a pipe that is at least the minimum size installed on the system. The second pool of costs that is allocated applies only to larger customers and takes into account the fact that the minimum sized pipe installed on the FCG system is not sufficient to serve the larger customers' demand.

The first box on the work paper shows the cost of constructing 254.2 miles of pipe based on the historical per foot cost of replacement with the smallest pipe size that the Company currently installs for mains. This cost, of $72,536,165 is allocated to all customers, because all customers require some form of main to be installed in order to serve them. Large customers, such as those in rate classes GS-6000 and above, generate sufficient demand on the system that they drive a need for larger diameter pipe. The incremental cost of installing 4" pipe rather than 2" pipe to serve the demand of larger customers is $6.59 per foot. The Company expects to install 239,285 feet of 4" pipe so the incremental $1,576,223 associated with the installation of the larger pipe is allocated to the larger customers only.

The box at the bottom of the work paper entitled Billing Unit Allocation Percentages uses the total annual billing units for each customer class to allocate the small pipe size cost pool and the large size cost pool among the appropriate customer classes. Each customer class receives a proportionate share of the costs applicable to that customer class based on its proportion of the total billing units applicable to that cost pool. For example, GS-100's 549,399 billing units are 43.5% of the total bill units so GS-100 receives 43.5%, or $31,568,734, of the $72,536,165 applicable to all customers and none of the $1,576,223 applicable only to larger customers. The $31,568,734 is 42.6% of the $74,112,387 total cost of the SAFE Program so GS-100's total program cost allocation factor is 42.6%. This factor is applied to the total Program revenue requirement each year to establish the expected rate for that year shown in Exhibit 3.

The allocation factor for the incremental cost of the larger diameter pipe is calculated in the same manner, but the proportions are calculated among on the rate schedules for which the

incremental cost are attributable. For example, GS-6000's 26,614 bill units are 82.3% of the 32,321 billing units included in the larger diameter pipe cost pool, thus they receive 82.3% of the incremental cost of the larger diameter pipe, or $1,297,905.

Footnote 1 was included inadvertently included and serves no purpose for this exhibit.

6. How much footage does the company expect to install each year?

Response:

FCG anticipates installing approximately 160,000' of main pipe per year per the chart on page 5 of Exhibit A.

7. What procedures will be used to notify the public of the installations?

Response:

FCG will work with an agency to develop a comprehensive communications plan to notify customers and the general public of the installations. As we consider the appropriate communications channels for the SAFE Program, Florida City Gas understands that bi-lingual efforts must be a part of the communications strategy to ensure our message reaches every customer that may be impacted. We are reviewing proposals from two agencies of record and anticipate efforts will include non-traditional and traditional mediums to reach the diverse demographics that make up this region. Examples of communications strategies being considered include, but are not limited to, the following: media including purchased media and earned media such as an interview with FCG leadership about the SAFE Program; website space dedicated to details of the project; maps that illustrate project areas; company background information and project information; professional produced videos and webcast; blogs; social media monitoring; press releases; FAQs; community meetings; certified letters to the residential and business community; radio, television and targeted online advertising; e-newsletters; billboards; HOA events and meetings with elected officials. Once the work for this project is awarded, we will be able to provide more specific details outlining the communications plan and timeline.