

Eric Fryson

From: Ansley Watson, JR. [AW@macfar.com]
Sent: Monday, July 02, 2012 2:24 PM
To: Filings@psc.state.fl.us
Cc: Martha Brown; 'Charles Rehwinkel'; 'Floyd, Kandi M.'; 'Aldazabal, Carlos'
Subject: Docket No. 110320-GU
Attachments: PGS - Staff's 4th Data Request - Revised No. 9.pdf

- a. Ansley Watson, Jr.
 Macfarlane Ferguson & McMullen
 P. O. Box 1531
 Tampa, Florida 33601
 Phone: (813) 273-4321
 Fax: (813) 273-4396
 E-mail: aw@macfar.com
- b. Docket No. 110320-GU – Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System
- c. Peoples Gas System
- d. Total of 3 pages
- e. The attached document is Peoples' REVISED RESPONSE TO No. 9 of Staff's Fourth Data Request in the above docket.

Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
 One Tampa City Center
 P.O. Box 1531 Tampa, FL 33601
 201 N. Franklin Street Suite 2000
 Tampa, FL 33602
 Main: (813)273-4200
 Direct: (813)273-4321
 Mobile: (813)695-5900
 Fax: (813)273-4396
aw@macfar.com
[V Card](#) ♦ [Bio](#)

Please visit www.mfmlegal.com for more information about our Firm



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MACFARLANE FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

1611 HARDEN BOULEVARD
LAKELAND, FLORIDA 33803
(863) 680-9908 FAX (863) 683-2849

ONE TAMPA CITY CENTER, SUITE 2000
201 NORTH FRANKLIN STREET
P.O. BOX 1531 (ZIP 33601)
TAMPA, FLORIDA 33602
(813) 273-4200 FAX (813) 273-4396

www.mfmlegal.com
EMAIL: info@mfmlegal.com

625 COURT STREET
P. O. BOX 1669 (ZIP 33757)
CLEARWATER, FLORIDA 33758
(727) 441-8986 FAX (727) 442-8470

IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box 1531
Tampa, Florida 33601
e-mail: aw@macfar.com

July 2, 2012

VIA ELECTRONIC FILING

Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 110320-GU -- Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System

Dear Ms. Cole:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find Peoples' **REVISED RESPONSE** to No. 9 of the Commission Staff's Fourth Data Request dated May 7, 2012 in the above docket.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a
Enclosures

cc: Martha C. Brown, Esquire
Charles J. Rehwinkel, Esquire
Ms. Kandi M. Floyd

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PEOPLES GAS SYSTEM
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9. Please explain when the CI/BSR surcharge would terminate.

A. Peoples' initial response to this request read:

The CI/BSR surcharge would terminate when all applicable cast iron and bare steel mains and services are replaced. In the event of a rate case prior to the completion of the project (estimated 10 years), the new infrastructure in service since the commencement of the project will be rolled into rate base and the replacement infrastructure investment to be recovered through the Rider would be re-set to zero as described in the response to No. 8.

The first sentence of the response should have read: "The CI/BSR surcharge would terminate when all applicable cast iron and bare steel mains and services have been replaced and included in rate base through one or more base rate proceedings." By way of example, assume Peoples filed a rate case during the period (estimated 10 years) the rider was in effect with the sixth year of the period being the projected test year in that rate case. The net book value of the replacement infrastructure in service – from the commencement of the replacement program through the sixth year (*i.e.*, the projected test year in the rate case)¹ – will be rolled into rate base (and the Company would earn a return on, and recover depreciation and ad valorem tax expense associated with, that replacement infrastructure through the rates established in the rate case). A return on, and the depreciation and ad valorem tax expense associated with, any replacement infrastructure installed after that projected test year would be recovered through the CI/BSR surcharge until all after-installed infrastructure was included in rate base in a subsequent rate case. If all of the cast iron and bare steel was replaced by the end of the tenth year during which the rider was in effect, but Peoples filed no rate case until the thirteenth year of the rider's effectiveness, the CI/BSR surcharge would continue in effect until the rates established in such rate case became effective. In essence, the CI/BSR surcharge would terminate only at such

¹ Including the \$1 million per year of replacement expenditures through the projected test year, a return and depreciation expense on which Peoples has agreed to forego between rate cases. See Revised Response to Staff's Second Data Request, No. 6.

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time as all of the applicable cast iron and bare steel mains and services are included in Peoples' rate base for ratemaking purposes.