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October 29, 2014

**HAND DELIVERY**

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

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COMMISSION  
CLERK

Re: **Docket 140190 -- Petition for approval of transportation service agreement for an extension in Palm Beach County with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.**

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven copies of Peninsula Pipeline Company's Responses to Staff's First Data Requests.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

  
\_\_\_\_\_  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

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Peninsula Pipeline Company's  
Response to Staff's First Data Request 1-12  
FPSC Docket No. 140190-GU

1. Please refer to page 5 of the petition, paragraph 12. What are the costs to Peninsula to perform the following steps related to the project: (a) inspect, test, and reactivate 800 feet of existing 12 inch steel pipe that runs from the southwest corner of Port property to a new interconnection at the southeast corner of the property, (b) install a new interconnection and extend 820 feet of 12 inch steel pipe north across Port property to FPUC facilities serving an existing FPUC customer, and (c) install an additional custody transfer point, with pressure regulation, at the southeast corner of Port property? Please include a general description of the types of costs that will be incurred (e.g., materials, labor, permitting, secure right-of-way, etc.)

**Response:**

**Peninsula is proposing to construct an extension of the Riviera Beach lateral of 12" steel main onto the Port's property.**

**The values and types of costs to Peninsula to perform the steps listed on page 5, paragraph 12 of the petition includes the following:**

- (a) [REDACTED] includes costs such as: materials, labor, surveying , permitting, restoration
- (b) [REDACTED] includes costs such as: materials, labor, restoration, pressure regulation
- (c) [REDACTED] includes costs such as: meters, pressure regulating devices materials, labor

**The types of costs associated with the preceding steps include, but are not limited to the following:**

**Materials –12" FBE Steel, weld fittings, valves, tie-ins, F1 Kits, meter sets  
Labor - Contract and internal  
Permits (county, DOT & railroad), Surveys (physical & environmental),  
Gas control and pressure regulating devices  
Property and asphalt restoration  
Miscellaneous equipment**

2. Will Peninsula need to obtain approval from any other state or local agencies to complete the project? If the answer is affirmative, please provide a brief description of the approvals that will be required.

**Response:**

**Peninsula is required to obtain permits from the Florida DOT and Port Authority to install the pipeline and related facilities. All required permits have been applied for, and applicable permits are expected before the end of 2014.**

3. For each of the project steps indicated in Question 1 above, what are Peninsula's estimated commencement and completion dates?

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**Response:**

Peninsula anticipates the construction of this line extension to commence in the 4<sup>th</sup> quarter of 2014 with an estimated completion date in the 2<sup>nd</sup> quarter of 2015.

4. Please describe the manner in which Peninsula will recover its costs associated with the project.

**Response:**

Peninsula will recover the cost associated with this project through the monthly reservation charge as detailed in Exhibit A to the agreement.

5. Please identify and explain the types of costs that the monthly reservation charge as shown on Exhibit A to the agreement is designed to recover.

**Response:**

Peninsula has an existing Transportation Service Agreement with FPU for the transportation of up to 3000 dt/ day on the "Riviera Beach Lateral". The proposed pipeline extension would enable FPU to utilize its existing capacity access to the Riviera Beach Lateral to deliver gas on the pipeline extension, as well as expand capacity an additional [REDACTED] dt/ day for a total of [REDACTED] dt/day. The monthly reservation charge, as shown in Exhibit A to the agreement, is designed to recover Peninsula's investment and the operational costs associated with the extension and additional capacity. Those costs include, but are not limited to, design engineering, permitting, material and installation costs associated with constructing the pipeline and related facilities, on-going maintenance costs to meet PHMSA compliance and safety requirement, property taxes, gas control and Peninsula's return on investment

6. Please provide the basis for the derivation of the Unauthorized Use Rate shown in Exhibit A to the agreement.

**Response:**

The Unauthorized Use Rate, as shown in Exhibit A is, was incorporated as provided in Sheet No. 20 of Peninsula's approved Natural Gas Transmission Pipeline Tariff. The \$4,275 per day value is consistent with the current approved Peninsula Transportation Service Agreement with FPU. The rate is intended to protect Peninsula from unauthorized use penalties that could be assessed to Peninsula from upstream pipelines (in this case TECO Peoples Gas) in the event FPU exceeded its delivery limits into Peoples Gas for transport to Peninsula's pipeline. It should be noted that Peninsula does not have a profit opportunity related to any assessed Unauthorized

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**Use Penalties resulting from FPU actions. Sheet 23 of Peninsula's tariff describes the company's Operational Balancing Account provisions. Any penalty charges (or credits) received by Peninsula from upstream transporters, resulting from the actions of FPU, would be billed or credited to the applicable Shipper, in this case FPU.**

**The Unauthorized Use Rate in the original approved agreement between Peninsula and FPU for delivery on the "Fernandina Beach Line" covers all deliveries into the Peninsula system and is somewhat redundant in its application to the proposed extension agreement. Including it in the proposed agreement does not alter the original agreement or subject FPU to additional penalty risk beyond the terms already in force. Peninsula has never received or assessed such a penalty.**

7. Please refer to Sections 7.1 and 7.2 of the agreement and to Exhibit A. Please clarify whether Exhibit A shows Points of Delivery rather than Delivery Points. Also, please explain whether Exhibit A to the agreement should list the Delivery Points and the Points of Delivery; as an illustrative example showing both, please see Original Sheet No. 36 in Volume No. 1 of Peninsula's approved tariff.

**Response:**

**Peninsula is tapping its existing Riviera Beach Lateral reactivating an inactive pipe segment and interconnecting the proposed pipeline extension. Exhibit A should describe the interconnection custody transfer points between Peninsula and FPU as "Points of Delivery" not "Delivery Points".**

8. On page 6 of the petition, paragraph 14, Peninsula states that the rates in the agreement are consistent with a "market rate" in that they are within the range of rates set forth in similar agreements between Peninsula and other customers. Please provide an analysis to support this statement, and identify the similar agreements.

**Response:**

**The "market rate" referred to on page 6 of the petition, paragraph 13, is determined based on the investment and operational costs specific to each project. Peninsula does not operate an interconnected pipeline system. Peninsula's intrastate pipelines are typically designed to serve a single customer in a given location with a particular set of design conditions (pipe size, pressure, delivery quantity capabilities, etc.). Each project exhibits its own unique installation characteristics; pipe size and thickness, distance of the installation, construction conditions, permitting scope, regulation and metering facilities, on-going operational issues, etc. Peninsula**

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establishes rates that are designed to recovery its cost to serve given the specific considerations of each project. The rates are market based in that they are subject to negotiation and designed to reflect reasonable cost recovery for the specific projects as opposed to a standard tariff rate per Dt. In addition, the pipeline capacity MDTQ's established in the respective Peninsula Transportation Service Agreements are typically established at the same MDTQ levels as the upstream pipeline interconnected to Peninsula. For example the total transportation capacity held by Peninsula across this pipeline will be [REDACTED] While it is possible to calculate a "rate" per Dt for each Peninsula customer, the dissimilarity in project scope and capacity quantities makes a project by project comparison somewhat meaningless. See Attachment 2 for comparison information.

9. Please refer to the MDTQ amount (confidential) in Exhibit A to the agreement; also, please refer to the increased contract capacity amount (confidential) on page 6 of the petition. As a hypothetical example, suppose the existing FPU customer on Port property were to consume the full MDTQ on a given day. If that were to occur, it seems that it would not be possible on that day to meet the increased contract capacity commitment to the new interconnection at the southeast corner of Port property. Is it possible that the intended MDTQ should be a larger amount? If the answer is affirmative, it potentially could have a bearing on the responses to Question 10 below and to Question 9 in Staff's First Data Request in Docket No. 140189-GU.

**Response:**

According to FPU, the existing industrial customer at the Port is not capable of using [REDACTED] dt/day of gas. Under current conditions, FPU would have approximately [REDACTED] dt/day (more on certain days) to deliver to its distribution system. At present, the low pressure distribution system in the Port area is fed from a gate station in downtown West Palm Beach several miles away. The proposed interconnection to Peninsula will provide pressure assistance throughout the northern portion of the FPU Palm Beach County system and support growth in the area.

10. Please refer to the monthly reservation charge and the total MDTQ quantities (confidential) shown in Exhibit A to the agreement. When one performs a calculation to arrive at a basic per-unit cost (e.g., \$/Dt), the resulting quotient is a significantly different value from the corresponding value presented by Peninsula in its Exhibit A to the agreement filed with the petition in Docket No. 140189-GU. Please describe the reasons for the significant difference between the two values. In responding to this question, it might be helpful to refer to Question 9 above, and to Question 9 in Staff's First Data Request in Docket No. 140189-GU.

**Response:**

As noted above, the primary reason for the difference in the two values is the construction conditions associated with the projects. The pipeline being proposed in Docket No. 140189-GU

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is an 6 inch pipe and is being installed in an area of public right-of-way that is primarily open space. The pipeline proposed for consideration in this docket is a 12 inch pipe being installed in a highly congested, privately owned, asphalt surrounded property. Additionally, due to the location and intended use of the pipeline proposed in this docket, it must be designed to the same standard as the existing 12 inch lateral to which it is being interconnected. Thus, the pipeline being considered in this docket is subject to higher facility and construction costs than those involved in Docket No. 140189-GU.

11. Regarding the increased contract capacity referred to on page 6 of the petition, paragraph 12(d), please clarify/confirm that this represents additional capacity that would be allocated by Peninsula to customers downstream of the new custody transfer point at the southeast corner of Port property.

**Response:**

The increased contract capacity amount referenced on page 6 of the petition, paragraph 12(d), represents additional intrastate pipeline capacity being allocated by Peninsula Pipeline to customers downstream of the new custody transfer point at the southeast corner of the Port property. The total capacity over both segments of the original Riviera Beach lateral, and this extension will be [REDACTED].

12. Please provide a map showing the location(s) of the planned Peninsula facilities.

**Response:**

See Attachment 1.



**Attachment 2**  
**Peninsula's Response to Staff's First Data Request**  
**Docket No. 140189 & 140190**  
**Response to Questions 8**

Similar Customers - LDC	Contracted Capacity (Dt/Day)	Annual Reservation Charge	Rate per Dt of Capacity	Fuel Retention Percentage	Miles of Pipe	Size of Pipe	Total Const. Cost
Port of Palm Beach (Docket No. 140190)	[REDACTED]						[REDACTED]
FPUC - Riviera Lateral	[REDACTED]						[REDACTED]
Palm Beach Port Combined **	[REDACTED]						[REDACTED]
William Burgess (Docket No. 140189)	[REDACTED]						
FPUC - Nassau County *	[REDACTED]						
Nassau County Combined	[REDACTED]						
Florida City Gas - Sebastian	[REDACTED]						

\* The Annual Reservation Charge shown is net of required payment from Peninsula to PGS for Transportation Service through PGS' distribution system.

[REDACTED]