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FLORIDA'S LAW FIRM FOR BUSINESS

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HAND DELIVERY

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

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 Florida Public Utilities 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

Beth Keating
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13. Did FPUC issue Requests for Proposals (RFPs) to obtain cost estimates for any phases of the project from other Entities? If the answer is affirmative, please identify all respondents to each RFP and provide an explanation regarding why their proposals were rejected. If the answer is negative, please state why FPUC did not solicit competitive bids.

Response:

FPUC did not issue a Request for Proposal (RFP) to obtain construction cost estimates from other entities for this line extension. This project is an extension from an existing Peninsula pipeline for which FPU already has an existing transportation Service Agreement with Peninsula. A larger portion of the capacity quantity held by FPU on the existing Peninsula people will be used to deliver gas to the proposed people extension. There was an increase for an additional [redacted] dt/day. Operationally, it is not practical to insert another pipeline operation for a relatively small expansion. FPU also avoided the costly requirement to move a portion of its main located on the Port. See response to question 18.

14. Did FPUC consider building the facilities itself in lieu of contracting with Peninsula? If the answer is affirmative, please provide an estimate of what the costs to FPUC would be if it were to undertake the entire project itself.

Response:

Yes. FPUC evaluated a self build project. There is no material construction cost difference that would result from FPU's installation of the facilities. PPC owns the currently inactive 12" steel pipeline that extends across the southern boundary of the Port. It is not possible, according to the Port, to obtain easement rights to install a parallel FPU pipeline. In any case installing such a parallel pipeline would have significantly increased the project costs. PPC could sell to FPU the southern boundary pipeline or activate that pipe segment up to the interconnect point of the 12" main running north through the Port (the pipe that FPU is required to relocate) and sell FPU the remaining pipeline running to the east. In either scenario Peninsula would be required to construct a custody transfer point and related facilities (included in the proposed project at approximately [redacted] The acquisition of the pipeline from Peninsula would have increased the project cost by approximately $[redacted] (the estimated market value of installing a new pipeline without assessing a premium for limited right-of-way access). If FPU acquired the southern boundary pipeline, it would still incur the reactivation cost of approximately[redacted] (same cost as will be incurred by Peninsula). The cost of the 12" main north through the Port (approximately [redacted] including FPUC's abandonment costs for the 4" main and the rebuild of the South Florida Materials regulator station) would be the same for FPUC as it is for Peninsula. The Peninsula option was the least cost for FPU.

15. How does FPUC plan to recover its payments to Peninsula pursuant to the agreement?

Response:

FPUC will seek to recover its payments to Peninsula through its PGA mechanism.

16. Will FPUC seek to recover the payments to Peninsula through the PGA? If the answer is affirmative, what is the projected $/therm impact to the PGA factor in 2016?

Response:

The Company will seek to recover the payments to Peninsula through its PGA. Historically, the Commission has allowed recovery, through the clause, of upstream transmission pipeline capacity, transportation and related supply costs associated with service expansions to new areas. The Commission reviewed and approved the Company's agreements with both PPC and TECO/PGS to bring natural gas service to Nassau County.

The Company has already included the costs of existing interstate and intrastate capacity agreements, as well as the increased costs for gas supply regarding the Port of Palm Beach in the Company's 2015 PGA projections. The projected annual impact to the 2016 PGA factor will be [redacted]/therm.

17. Based on Peninsula's representation on page 6, paragraph 13, of the petition, it is inferred that the FPUC relocation costs for the 820 feet of 4 inch plastic main would not need to be incurred due to Peninsula's extension of 820 feet of steel pipe. Was FPUC's estimated cost (confidential) to relocate the plastic main an in-house estimate or the result of a competitive bidding process?

Response:

FPUC's estimated cost to relocate the plastic main was an internally generated cost estimate based on standard cost per foot experience for directionally drilled installations of 12" steel pipeline in congested locations. FPUC also requested that two underground utility contractors look at the site and generally confirm the cost estimates, without providing a formal bid price.

18. Please explain the relationship between FPUC's avoided costs of main relocation and Peninsula's construction costs for the new 12 inch extension and describe the work efforts for which FPUC would be compensating Peninsula in lieu of incurring the costs itself.

Response:

The estimated [redacted] FPUC relocation cost assumed that the existing 4" plastic main would be upgraded to 12" steel and that the existing regulator station at the South Florida Materials (SFM) customer location would be rebuilt in anticipation of delivering higher pressure to the inlet side of the station. The existing 4" plastic main currently serving SFM is undersized for the expected load at the Port. In addition, the existing 4" main is served from FPUC's downtown West Palm Beach station several miles to the south and is at the end of a low pressure distribution system run. The proposed project includes approximately [redacted] for Peninsula to install the same 12" steel pipeline and a custody transfer point (virtually the same regulation as originally anticipated for FPUC at SFM). FPUC will incur approximately [redacted] to disconnect and abandon the existing 4' plastic main.

19. Are the costs of FPUC's 4 inch plastic main currently included in FPUC's base rates?

Response:

Yes the costs of FPUC's 4 inch plastic main located on the Port of Palm Beach property are included in FPUC's base rates.

20. Please discuss what will happen to the 4 inch plastic main (e.g., abandoned in place?) and how FPUC will treat the remaining book investment associated with the asset(s).

Response:

The 4 inch plastic main will be abandoned in place. It cannot be reactivated after abandonment because it will be underneath structures installed by a new tenant on the Port property, which is the reason for the abandonment. FPUC will write off the book value of the 4 inch plastic main at the point of abandonment.