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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

RECEIVED FPSC  
14 OCT 29 PM 4:55  
COMMISSION  
CLERK

Re: **Docket 140189 -- Petition for approval of transportation service agreement for an extension in Nassau 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 1-11  
FPSC Docket No. 140189-GU

1. What is the cost to Peninsula to run the 4.6 mile line extension (including any necessary appurtenances) to the two additional custody transfer points at or near the Nassau County Government Complex and at or near the East Nassau Employment Center? 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 a 4.6 mile, 6" steel pipeline extending from the existing "Fernandina Beach Line" (jointly owned by Peninsula and TECO Peoples Gas) generally along William Burgess Road from US 17 to the I-95, SR 200 interchange. The total construction cost for the extension is approximately [REDACTED]. The types of costs associated with this extension include, but are not limited to the following:

- Materials – 6" FBE Steel, weld fittings, valves, F1 Kits, Rectifier
- Interconnection tap between the existing pipeline and the extension, meter, etc
- Custody Transfer Points to interconnect the Peninsula pipeline to the FPU distribution system
- Labor - Contract and internal
- Permits (county, DOT & railroad), Surveys (physical & environmental),
- Gas control and pressure regulating devices
- Miscellaneous equipment

2. Will Peninsula need to obtain approval from any other state or local agencies to construct the line extension? 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 Nassau County to install the pipeline and related facilities in the respective public rights-of-way. In addition a crossing permit is required from CSX Railroad. All required permits have been received.

3. When does Peninsula anticipate that construction of the line extension will commence and what is the estimated completion date?

**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 4.6 mile line extension.

**Response:**

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**Peninsula will recover the cost associated with the pipeline extension through a monthly reservation charge, billed to FPU, as detailed on 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 [REDACTED] dt/day on the "Fernandina Beach Line". The proposed pipeline extension would enable FPU to utilize its existing capacity access to the Fernandina Beach Line to deliver gas on the pipeline extension. 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. 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 requirements, 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 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.**

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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 the jointly owned "Fernandina Beach Line" and interconnecting the proposed extension pipeline. The interconnection with the joint pipeline is technically not a Delivery Point in that we are connecting to a Peninsula owned pipeline. However, given that the pipeline is jointly owned with TECO we defined the interconnection tap point (Radio Road and SR17) as a Delivery Point. Downstream of the interconnection Peninsula will construct two Points of Delivery with FPU. Exhibit A shows one Delivery Point and two Points of Delivery. The remaining interconnection points should be identified as "Points of Delivery" under the Peninsula tariff. Item No. 2 (at or near the Nassau County Government Complex) is the first proposed custody transfer point between Peninsula Pipeline and FPUC's distribution system. Item No. three (at or near the intersection of I-95 and SR200) is the second proposed custody transfer point between Peninsula Pipeline and FPUC's distribution system.

8. On page 6 of the petition, paragraph 13, 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 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 the Peoples Gas System █████ dt/day, which is the same quantity held

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by FPU across the Peninsula system in Nassau County. 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 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. 140190-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 staff's Questions 9 and 10 in Staff's First Data Request in Docket No. 140190-GU.

**Response:**

As noted above, the primary reasons for the difference in the two values are the construction conditions associated with each project and the upstream pipeline capacity quantity limits into Peninsula. The pipeline being proposed in this docket is a 6 inch pipe and is being installed in an area of public right of way that is primarily in open space. The pipeline being installed in Docket No. 140190-GU 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 Docket No. 140190-GU, it must be designed to the same standard as the existing 12 inch lateral to which it is being interconnected. Therefore, the materials and construction costs associated with the project addressed in Docket No. 140190-GU are somewhat higher than those at issue in this docket.

10. Please explain the significance of the last sentence in footnote 1 to Exhibit A of the agreement.

**Response:**

The footnote recognizes that this agreement, as structured, is dependent upon the installed facilities and the original, underlying agreement between FPU and Peninsula for extension of service into Nassau County. The footnote is meant to acknowledge there are no duplicative charges from the original agreement, but that, to the extent that the contemplated facility is an extension that runs off the original line, this extension could (and should) be considered another contractually recognized location for purposes of handing gas off from PPC to FPU.

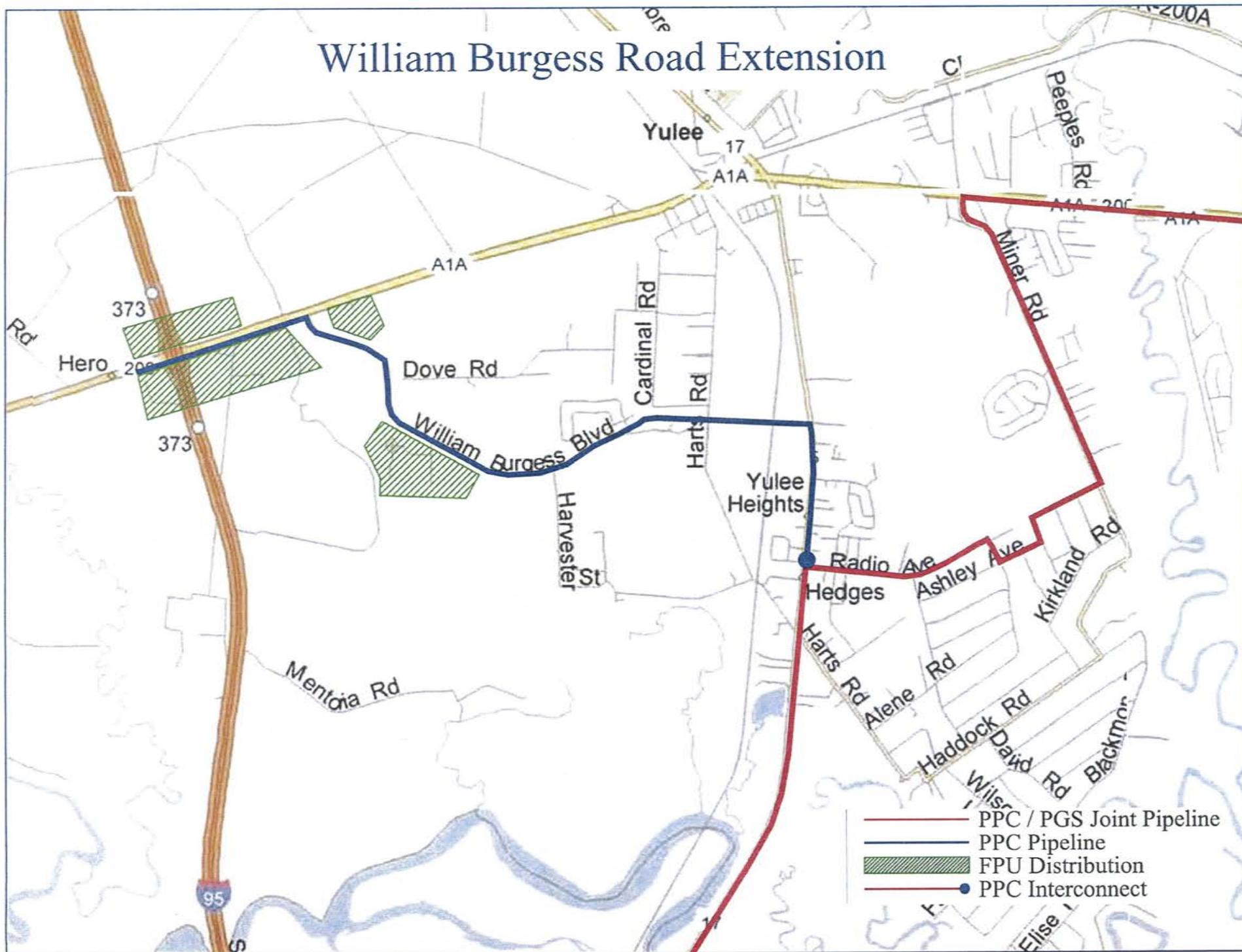
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11. Please provide a map showing the location(s) of the planned Peninsula facilities.

**Response:**

**See Attachment 1**

# William Burgess Road Extension



**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 * 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]