

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amendment to  
special contract with Peninsula Pipeline  
Company, by Peoples Gas System.

DOCKET NO. 150094-GP  
ORDER NO. PSC-15-0318-PAA-GP  
ISSUED: August 10, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
JULIE I. BROWN  
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING AMENDMENT TO SPECIAL CONTRACT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On March 26, 2015, Peoples Gas System (Peoples) filed a petition requesting our approval of the First Amendment (Amendment) to the transportation service agreement (Agreement) with Peninsula Pipeline Company (Peninsula). We approved the petition by Order No. PSC-12-0230-PAA-GU.<sup>1</sup> Peoples is a natural gas distribution utility subject to our regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.). Peninsula operates as a natural gas transmission company as defined in Section 368.103(4), F.S.<sup>2</sup> Rule 25-9.034(1), F.A.C., requires our approval of special contracts.

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<sup>1</sup> Order No. PSC-12-0230-PAA-GU, issued May 9, 2012, in Docket No. 110277-GU, In re: Joint petition for approval of territorial agreement in Nassau and Duval Counties by Peoples Gas System and Florida Public Utilities Company; gas transportation agreement by Peoples Gas System and Peninsula Pipeline Company, Inc.; and application for approval of tariff revisions to reflect service in Nassau and Okeechobee Counties, by Florida Public Utilities Company.

<sup>2</sup> Order No. Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.

The Amendment for which Peoples seeks approval is the result of constructing 1.6 miles of a new 20-inch pipeline interconnect with Southern Natural Gas Company's (SNG's) Cypress Lateral that will enable Peoples to provide Peninsula with incremental transportation service through the Peoples system. During its evaluation of the petition, Commission staff issued two data requests to Peoples for which responses were received on April 24, 2015, and May 6, 2015, respectively. The majority of the questions posed by staff were intended to ensure that the proposed Amendment would not impose additional costs on People's general body of ratepayers. We have jurisdiction in this matter pursuant to Sections 366.05(1) and 366.06, F.S.

### Decision

Order No. PSC-12-0230-PAA-GU approved a jointly developed plan by Peoples and Peninsula for the expansion of natural gas service in Nassau County.<sup>3</sup> The Agreement was an integral component of the expansion plans. Prior to Peoples and Peninsula entering into the Agreement, Peoples owned interconnection points with Florida Gas Transmission Company (FGT) and Southern Natural Gas (SNG). FGT and SNG are interstate pipelines that transport gas into Florida. In addition, Peoples owned gas distribution facilities in Duval and Nassau Counties. To facilitate the expansion of gas service in Nassau County, Peoples and Peninsula entered into the Agreement that provided for Peoples to upgrade certain portions of its facilities and for Peoples and Peninsula to jointly construct and own a 16.1 mile pipeline terminating at a Fernandina Beach paper products mill. This pipeline is referred to as the Fernandina Beach Line in Order No. PSC-12-0230-PAA-GU. Peoples provides gas transportation service under the Agreement through its distribution system in order to deliver gas to Peninsula for further transportation through the Fernandina Beach Line to Peninsula's customers.

We find that the proposed Amendment will enable Peoples to provide Peninsula with incremental transportation service. Specifically, Peoples will design and construct a new gate station connected to the SNG Cypress Lateral and install approximately 1.6 miles of 20-inch pipeline connecting the new gate station to Peoples' existing 20-inch line that traverses Ford Road in Nassau County. In addition, Peoples will uprate the existing Capper Regulator Station. The additional gas delivered from the new Peoples-SNG interconnect will then be transported by Peninsula through the Fernandina Beach Line for delivery by Peninsula to its customers.

We note that Peoples has not submitted applications for the necessary construction permits due to ongoing negotiations with affected land owners; however, Peoples believes that once the permit applications are tendered, the permitting process will take less than six months to complete. The estimated completion date for the installation of the pipeline is June 1, 2016. To complete the construction of the infrastructure expansion, Peoples will issue an RFP and select a contractor.

The negotiated monthly reservation charge (confidential) included in the proposed Amendment is designed to recover Peninsula's allocated portion of the expansion project. Costs associated with capital investment, operation and maintenance, depreciation, income taxes, and Peoples' return on investment were allocated to Peninsula based on Peninsula's incremental

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<sup>3</sup> Florida Public Utilities Company (FPUC) was also a party in the gas expansion plans in that portion of Florida.

hourly capacity requirement compared to the overall project's incremental hourly capacity requirement.

Peoples provided confidential cost of service information with its petition and in response to staff's data requests. The cost of service study demonstrated that the incremental transportation revenues derived from the Amendment will enable Peoples to fully recover the incremental costs of providing the additional transportation service to Peninsula. The amendment shall be approved because we find that it establishes rates that cover the cost of service and therefore benefits Peoples' general body of ratepayers.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition filed by Peoples Gas System requesting Commission approval of the First Amendment to the transportation service agreement with Peninsula Pipeline Company is hereby approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 10th day of August, 2015.



CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 31, 2015.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.