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October 2, 2017

**E-PORTAL**

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

**Re: Docket No. 20170193-GU- Petition for approval of transportation service agreement with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.**

Dear Ms. Stauffer:

Attached for electronic filing, please find Peninsula Pipeline's responses to Staff's First Data Requests in the referenced docket, which includes redacted Attachment 1, for which a Request for Confidential Classification is being submitted under separate cover today.

As always, please don't hesitate to let me know if you have any questions. Thank you for your assistance with this filing.

Kind regards,

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**Docket No. 20170193-GU-Petition for Approval of Transportation Service Agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.**

Peninsula Pipeline Company's Response to Staff's First Data Request

1. 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.

**Company Response:**

**Yes, Peninsula is required to obtain approvals from both the Florida Department of Transportation (FDOT) and Volusia County for public road easements. Additionally, Peninsula is required to obtain an environmental impact study from the Florida Department of Environmental Protection (FDEP).**

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

**Company Response:**

**Peninsula's project costs are recovered through monthly reservation charges to customers.**

3. 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.

**Company Response:**

**The costs associated with the monthly reservation charge 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.**

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

**Company 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. In the event that Peninsula was the DPO we would have the right to assess the penalty for unauthorized use. The rate is intended to protect Peninsula from unauthorized use penalties that could be assessed to Peninsula from upstream pipelines in the event**

FPU exceeded its delivery limits into the system for transport to Peninsula's pipeline. 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.

5. On page 5 of the petition, paragraph 9, 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.

**Company Response:**

The "market rate" referred to on page 5, paragraph 9 of the petition 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 recover 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, or standard cost per mile. Peninsula designed this project with similar utility return, capital and debt structures. While it is possible to calculate a cost per mile, or "rate" per Dt for each Peninsula customer, the dissimilarity in location, project scope and capacity quantities makes a project by project comparison somewhat challenging and can result in an "apples to oranges" comparison. See Attachment 1 (Confidential) for comparison information.

6. Referring to page 1 of the petition, paragraph 1, FPUC states; that Peninsula will construct 58,700' of 8" steel pipe in New Smyrna Beach, Florida. However, in Attachment C, the map, it shows that phase 1 – 18,800' and phase 2 – 58,800' 6" steel @ 575 MAOP, equaling 77,600' of pipeline. Please clarify the length of the pipeline, as well as, the thickness of the steel being used.

**Company Response:**

The reference on page 1, paragraph 1 of the Petition the length of 58,700' of 8" steel pipe was misstated. In fact, the total length of the pipe being installed is 77,600' as shown in Attachment C (map) to the original Petition.

7. 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.

**Company Response:**

**FPUC engaged in a conversation with Florida Gas Transmission (FGT) regarding the possibility of FGT building the pipeline from the proposed interconnection to the terminus in New Smyrna Beach, but the conversation did not produce an economically viable solution to the FPUC system needs.**

8. 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.

**Company Response:**

**FPUC did not consider building the facilities itself in lieu of contracting with Peninsula. The construction costs in this project would be similar between FPUC and Peninsula. A primary factor FPUC considered in the decision not build the pipeline itself was the fact that the newly constructed pipeline is more similar to a transmission asset. From an ongoing maintenance perspective, this is more similar to the type of asset Peninsula builds and maintains. Additionally, given the Pipeline and Hazardous Materials Safety Administration (PHMSA) requirements discussed on page 6 of the Petition, FPUC felt that Peninsula was best suited to construct and maintain this pipeline.**

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

**Company Response:**

**FPUC will seek, in the initial year, to recover its payments to Peninsula through the PGA mechanism and in subsequent years partially through the PGA, as well as the Swing Service mechanisms.**

10. 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?

**Company Response:**

**Yes, the Company will seek to recover the payments to Peninsula through PGA. The projected annual impact to the 2018 PGA factor will be \$0.042 therm.**

FLORIDA PUBLIC UTILITIES COMPANY  
 NEW SMYRNA EXPANSION PROJECT  
 EVALUATION OF PROPOSALS

Status	Company	Description of Project	Upstream Pipeline	Term	MDTQ	Capital Investment	Annual Rate	Cost p/Mile
Proposed	From FGT Daytona West Gate Station to New Smyrna and Turnbull Bay	14.7 miles 8" steel	FGT	20				
Estimate FGT	From FGT Daytona West Gate Station to New Smyrna and Turnbull Bay	14.7 miles 8" steel	FGT	20				
Completed	PPC to FPU via Wm Burgess (Docket No. 20140189-GU)	4.6 miles 6" steel via Wm Burgess Custody transfer point with Peninsula at Broadway Ave. & Middle Rd. in Riviera Beach - at the Port of Palm Beach.	FGT	20				
Completed	Peninsula Pipeline Company Affiliate (Docket No. 20140190-GU)		FGT	20				
Completed	Peninsula Pipeline Company Affiliate (Docket No. 20150031-GU)	14.2 miles of 6" Pipeline in Polk County via Hwy 27	FGT	20				