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E-PORTAL FILING

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

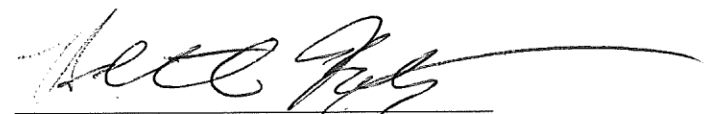
Re: Docket 20240039-GU – Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.

Dear Mr. Teitzman:

Attached for filing in the referenced docket, please find Peninsula Pipeline and Florida City Gas's Responses to Staff's First Set of Data Requests.

Thank you for your assistance with this filing.

Kind regards,



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Enclosure

20240039 – Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.

General

1. **Peninsula seeks to transport alternative natural gas obtained from landfills in the three proposed gas supply and source diversity projects. Please explain the process or steps to obtain the gas, convert to pipeline quality gas, and transport the gas by Peninsula to add to FCG's pipeline system.**

Company Response

The alternative natural gas will be supplied to PPC from the associated producer within pipeline quality standards. PPC will analyze the gas quality in real time, at five-minute intervals in order to ensure required specifications are being met. The gas will also flow through associated meters, regulator, odorizers, and valving prior to leaving the gate station. PPC will then take the gas to existing FCG facilities by creating interconnection points at each location.

2. **Did FCG issue a Request for Proposals (RFP) to obtain construction cost estimates for the proposed three pipeline projects from other entities? If so, please identify all respondents to the RFP and provide an explanation regarding why their proposals were rejected. If not, please state why FCG did not solicit competitive bids.**

Company Response

FCG did not issue an RFP for the projects, primarily because the only alternatives that could build the pipeline described in the petition would likely be either an interstate pipeline company that operates in the area, such as FGT, or the other intrastate pipeline company operating in Florida.

In order for any interstate pipeline company regulated by the Federal Energy Regulatory Commission (FERC) to build this pipeline, it would first have to go through the process of obtaining a certificate from the FERC. This process can increase both the costs of the project and the in-service timeline due to the FERC review requirements. A project timeline may be increased by a significant length due to the amount of time a project may be deliberated at the FERC.

As for the alternative intrastate company, FCG is familiar with both intrastate pipeline companies in the state. It is unlikely that the other company could or would offer FCG materially better pricing than PPC, and given that PPC and FCG are now affiliated, FCG anticipates that there would be material benefits in working with PPC, namely administrative and coordination efficiencies. As such, issuing an RFP was determined to be neither necessary nor prudent in terms of timing.

- 3. Please provide a brief description of the approvals required by Peninsula or FCG from any other state or local agencies to complete the source diversity projects.**

Company Response

Peninsula and FCG are required to acquire approval from the following for each project:

For the Brevard County Project, Peninsula is required to obtain permits from the Florida Department of Environmental Protection, Florida Department of Transportation, and Brevard County, and the City of Cocoa.

For the Indian-River County Project, Peninsula is required to obtain permits from the Florida Department of Environmental Protection, Florida Department of Transportation, and Indian-River County, Sebastian River Improvement District, and Indian River Farms Water Control District.

For the Miami-Dade County Project, Peninsula is required to obtain permits from the City of Medley, the City of Doral, the South Florida Water Management District, Army Core of Engineers Florida Department of Environmental Protection, CSX Railroad, Florida Department of Transportation, and Miami-Dade County.

- 4. Petition paragraphs 14, 17, and 21 states that the three projects are estimated to be completed in the third quarter of 2024. Is construction is currently underway? If so, please describe.**

Company Response

The projects are currently not under development.

- 5. Please identify the types of costs included in the Total Monthly Reservation Charge (confidential) in Exhibit A of each of the three transportation agreements.**

Company Response

The costs associated with the monthly reservation charge include, but are not limited to, design engineering, permitting, acquiring land use permits or rights of way as necessary, costs for materials, and installation costs associated with constructing the pipeline and related facilities. It also includes the necessary, on-going maintenance costs on the facility in order to meet PHMSA compliance and safety requirements, property taxes, gas control, and Peninsula's return on investment.

- 6. Section 2.2 of Article II of the three transportation agreements states that unauthorized use of transportation quantities (per Dekatherm) shall be billed at a rate of 2.0 times the rate to be charged for each Dekatherm of the Maximum Daily Transportation Quantity (MDTQ). Please explain why the parties have agreed to the rate (confidential) identified in Exhibit A for unauthorized usage in all three of the proposed transportation agreements.**

Company Response

The purpose of the unauthorized usage rate is to discourage customers from using more Maximum Daily Transportation Quantity (MDTQ) than is included in their contract. On systems that have multiple shippers, a customer using more than their contracted amount of MDTQ can impact other customers on the system.

With these projects, FCG is the sole customer of the pipeline projects, and as such, the projects have been sized to meet FCG's needs. Under these circumstances Peninsula agreed to lower the unauthorized usage rate as any overrun will not impact other customers on the project.

- 7. Please explain how FCG plans to recover its payments to Peninsula for the three proposed expansion projects. If FCG plans to recover its payments to Peninsula through the purchased gas adjustment (PGA), what is the projected \$/therm impact to the PGA factor in 2025?**

Company Response

FCG will recover payments to Peninsula through the PGA mechanism. FCG projects that the PGA/therm impact for 2025 from these projects will be \$0.102/therm.

Brevard Expansion

- 8. What is the estimated cost to Peninsula to obtain the gas, convert to pipeline quality gas, and transport the gas to FCG's pipeline system for the proposed Brevard County Project (Brevard Expansion)? Please include a general description of the types of costs that will be incurred (e.g., materials, labor, permits, right-of-way).**

Company Response

Peninsula's service for this project does not involve obtaining or converting the gas into tariff specification. The project's costs are exclusive to facilities necessary for the receipt and transportation of the gas. The costs for constructing the facilities necessary for transportation are provided in the answer to question number 9.

- 9. With reference to paragraph 12 of the petition what is the estimated cost to build approximately 5-miles of 12-inch Medium Density Polyethylene (MDPE) pipeline, as**

shown on the project map? What is the lifespan of the MDPE pipe compared to steel pipe of similar size?

Company Response

FPUC will be paying approximately \$1.54MM of the cost of the project. FPUC was allocated a portion of the total project as this project is expected to benefit FPUC customers by interconnecting to a specific location of the distribution system. The total cost of constructing the 5-miles of MDPE pipeline and associated facilities is approximately \$6.1MM. The proportional costs allocated consist of the following,

Materials & Equipment	\$391,779
Construction Contracts	\$762,584
Engineering	\$24,750
Internal Costs	\$5,709
Contingency	\$118,482
Overhead	\$234,595
Total	\$1,537,899

Based on Commission Order PSC-2023-0177-FOF-GU, Plastic-Mains have an average service life of 75 years, and Steel-Mains have an average service life of 65 years.

10. Please provide the percent breakdown between materials and labor for the total cost of the Brevard Expansion.

Company Response

Materials and equipment account for approximately 33% of the total cost.
Labor accounts for approximately 67% of the total cost.

11. Please reference petition Attachment A, Transportation Service Agreement-Brevard County Project. Page 1 of that Agreement states that the “Project will include extending steel pipelines from a new interconnect...” in contrast to paragraph 12 of the petition, which alludes to installing MDPE pipe. Please correct the discrepancy and adjust the associated costs, if applicable.

Company Response

The pipeline will be built from MDPE. The costs were calculated at MDPE pipeline costs, and costs do not need to be adjusted.

12. Please explain “flow design benefits” stated in paragraph 12 of the petition and provide examples.

Company Response

By introducing an additional source of gas to the Brevard County area, FCG will be better able to make adjustments to the flow of gas in the area of the project as needed to meet demand. Currently, the system to which the project will connect receives gas from just one transmission

source. By introducing another source of gas, the project will allow FCG the ability to modify its flow design as necessary to meet demand in other areas of the county. Additionally, should constraints occur on the transmission pipeline currently feeding the distribution system, this project will help alleviate those constraints.

13. Is the local landfill located in Cocoa, referenced in paragraph 14 of the petition, owned privately or by a unit of local government?

Company Response

The local landfill is owned by Brevard County.

14. Paragraph 14 of the petition states that the “gas will meet the gas quality specifications found in Peninsula’s and FCG’s tariffs.” Please state the cost to convert the landfill gas to pipeline quality gas and discuss how the costs will be recovered.

Company Response

Peninsula’s portion of the project does not consist of upgrading the gas to tariff quality. The gas producer will be responsible for ensuring gas meets tariff quality standards before reaching the Peninsula Pipeline system. As such, Peninsula does not have information specific to the cost to convert the landfill gas to pipeline quality. Peninsula will monitor gas quality using the process explained in the answer to question 1.

15. Please discuss how many residential, commercial, and industrial customers are expected to take service, in the next five years, by the proposed Brevard Expansion?

Company Response

The project is directly driven by the need to serve new growth, and by the need to introduce an additional supply source to provide additional system resiliency.

The supply will help provide reinforcement to FCG’s system in Brevard County. Brevard County has experienced strong growth that is being driven by the expansion of the aerospace industry along Florida’s Space Coast. It is projected to continue to experience growth in the next five years. Based on historical growth in the past three years in Brevard County, FCG has experienced an average of 2% growth a year and expects this growth trend to continue over the next five years. The project will ensure that FCG has an ample gas supply to meet the growing demand in the county.

Indian River County Expansion

16. What is the estimated cost to Peninsula to obtain the gas, convert to pipeline quality gas, and transport the gas to FCG’s pipeline system for the Indian River County Project (Indian River County Expansion)?

Company Response

As noted in response to Request #14 above, Peninsula’s service for this project does not involve obtaining or converting the gas into tariff specification. The project's costs are exclusive to facilities necessary for the receipt and transportation of the gas. The costs for constructing the facilities necessary for transportation are provided in the answer to question number 17.

17. What is the estimated cost to build the approximately 14-mile, 6-inch steel pipeline, as shown on the project map and discussed in paragraph 15 of the petition? Please include a general description of the types of costs that will be incurred (e.g., materials, labor, permits, right-of-way).

Company Response

The costs to construct the 14-mile, 6-inch steel pipeline will be approximately \$17.7MM. This cost consists of the following,

Materials & Equipment	\$3,263,120
Construction Contracts	\$9,824,500
Engineering	\$455,000
Internal Costs	\$168,000
Contingency	\$2,916,259
Overhead and AFUDC	\$1,020,675
ROW	\$100,000
Total	\$17,747,554

18. Please provide the percent breakdown between materials and labor for the total cost of the Indian River County Expansion.

Company Response

Materials and equipment accounts for approximately 24% of the total cost.
Labor accounts for approximately 76% of the total cost.

- 19. Please state why the Indian River County Expansion is using steel pipe and not MDPE as in the Brevard County Expansion? In your response, please discuss the advantages and disadvantages of using the two types of pipes.**

Company Response

Steel pipeline is being used in this project due to the need to operate the lateral at a higher pressure than is allowable for safe operation on MDPE facilities. MDPE is safe to use a lower pressures and is therefore only an option for use in lower pressure systems. In instances in which a higher operating pressure is needed, steel pipe must be used.

- 20. Is the Vero Beach landfill referenced in paragraph 17 of the petition owned privately or by a unit of local government?**

Company Response

The Vero Beach landfill is owned by the Solid Waste Division of the City of Vero Beach.

- 21. Paragraph 17 of the petition states that “the project’s infrastructure will result in interconnecting three existing systems in the area.” Please list the three existing systems.**

Company Response

The system will interconnect two segments of FCG’s distribution system and a separate Peninsula Pipeline project. FCG has two separate distribution systems in the area that receive gas supply from Florida Gas Transmission. Peninsula operates what is known as the Beaches pipeline, which also receives gas supply from Florida Gas Transmission, and extends down into the town of Indian-River Shores. The proposed project will interconnect these three systems.

- 22. Paragraph 18 of the petition references “pre existing pipeline projects.” Please list the projects, including PSC docket numbers if applicable, and state whether these “projects” are the same as the “existing systems” referenced in paragraph 17 of the petition.**

Company Response

Yes these are the same systems. The FCG systems in Indian-River county and the Peninsula Beaches Pipeline did not require Commission approval at the time contracts were entered and the facilities constructed, because FCG and Peninsula were not, at that time, affiliates. As such, these projects do not have docket numbers.

- 23. Please discuss how many residential, commercial, and industrial customers are expected to take service, in the next five years, by the proposed Indian River County Expansion?**

Company Response

The project is directly driven by the need to serve new growth, and by the need to introduce an additional supply source to provide additional system resiliency

The supply will help reinforce FCG's system in Indian-River County, which is necessary due to the significant increase in demand due to population growth. FCG has also recently expanded gas service onto the barrier islands near the project, which were previously unserved. Indian-River County has experienced and is projected continue to experience significant growth in the next five years. Based on historical data, FCG has experienced a 12% growth in customers over the past three years. FCG expects this trend to continue, and the project will ensure that FCG has ample gas supply to meet demand in the county. Constraints and new pipeline capacity on the east leg of FGT which serves this system is limited. This project may offset some of the need for additional capacity from FGT as the region continues to grow.

Miami-Dade Expansion

- 24. What is the estimated cost to Peninsula to obtain the gas, convert to pipeline quality gas, and transport the gas to FCG's pipeline system for the proposed Miami-Dade County Project (Miami-Dade Expansion)?**

Company Response

As noted above for the other projects, Peninsula's service for this project does not involve obtaining or converting the gas into tariff specification. The project's costs are exclusive to facilities necessary for the receipt and transportation of the gas. These costs for constructing the facilities necessary for transportation are provided in the answer to question number 25.

- 25. Please state the estimated cost to Peninsula to extend 8 miles of 8-inch steel pipeline as referenced in paragraph 19 of the petition and shown on the project map? Please include a general description of the types of costs that will be incurred (e.g., materials, labor, permits, right-of-way).**

Company Response

FPUC will be paying approximately \$8.33MM of the cost of the project. FPUC was allocated a portion of the total project as this project is expected to benefit FPUC customers by interconnecting to a specific location of the distribution system. The total cost of constructing the 5-miles of MDPE pipeline and associated facilities is approximately \$22MM. The proportional costs allocated consist of the following:

Materials & Equipment	\$3,860,245
Construction Contracts	\$3,071,108
Engineering	\$132,323
Internal Costs	\$30,465
Contingency	\$851,915
Overhead and AFUDC	\$383,362
Total	\$8,329,419

26. Please provide the percent breakdown between materials and labor for the total cost of the Miami-Dade Expansion.

Company Response

Materials & Equipment account for approximately 24% of the total cost.
Labor accounts for approximately 76% of the total cost.

27. Paragraph 23 of the petition states that Peninsula will use best practices to minimize impacts, such as market fluctuations, project timeline delays, fluctuations in interest rates, labor and materials on the contracts. What are some of these best practices?

Company Response

Peninsula will utilize construction and procurement best practices. Examples of these include the following:

- Utilization of an internal procurement department for purchasing purposes, and competitively bidding the project to qualified contractors;
- Implementation and usage of project management software to track project costs and timelines; and
- Dedicated project management staff.

28. Please discuss how many residential, commercial, and industrial customers are expected to take service, in the next five years, by the proposed Miami-Dade Expansion?

Company Response

The project is directly driven by the need to serve new growth, and by the need to introduce an additional supply source to provide additional system resiliency. System resiliency is additional reinforcement and supply to meet current and future gas demand.

The supply will help provide reinforcement benefits to FCG's system in Miami-Dade County. The county has experienced and is projected to continue to experience growth in the next five years. The project is in an area of Miami-Dade County that features multiple high usage commercial and industrial customers, which is the primary use of land in the area. FCG has identified the surrounding area of the project has potential for large revenue growth from commercial and industrial customers. The project will help to ensure that FCG has an ample gas supply to meet the demand brought by these customers.