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VIA PSC E-FILE SYSTEM

Adam Teitzman, Director
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Office of the Commission Clerk
Gerald L. Gunter Building, Suite 152
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

In Re: Docket No. 20260094-GU - Petition for Approval of Natural Gas Pipeline Transmission Tariff by Coastal Connect Services, LLC.

Dear Mr. Teitzman:

Attached for filing is Coastal Connect Services, LLC's Response to Staff's First Data Request, in the above-referenced docket.

If you have any questions regarding this filing, please let me know. Thank you for your assistance.

Best regards,

BERGER SINGERMAN LLP

Floyd R. Self

FRS/kb

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1. **Why does CCS believe it qualifies as a natural gas transmission company under section 368.103(4), F.S.?**

RESPONSE: Based upon the statutory definition, CCS meets each of the requirements for a natural gas transmission company. Section 368.103(4), Florida Statutes, defines a "natural gas transmission company" to include a person owning or operating, for compensation, facilities located wholly within Florida for the transmission or delivery for sale of natural gas. The definition excludes persons that primarily own or operate local distribution facilities, entities subject to FERC jurisdiction under the Natural Gas Act, municipalities or municipal agencies, and special districts created by special act to distribute natural gas.

CCS falls within the affirmative part of the definition and outside each exclusion. CCS is a legal entity registered to do business in Florida, so it meets the definition of a "person" as defined in Section 368.103(5). CCS will charge SpaceX, and any future customer, for the transportation natural gas transportation services to be provided, thus meeting the compensation requirement on Section 368.103(4). CCS will transport natural gas only, and its proposed facilities will be intrastate located wholly within Florida, with the proposed pipeline originating and terminating within Brevard County, Florida; since the pipeline will be less than 100 miles and not cross a county boundary, this also means this pipeline is outside the scope of the National Gas Transportation Pipeline Siting Act, Section 403.9401 et. seq. per Section 403.9405(2)(a). CCS will not operate local distribution facilities, will not make retail commodity sales, will not take title to the gas transported, and will not make direct sales for resale to local distribution utilities. CCS also is not a municipality, agency of a municipality, or special district. The Company therefore fits within the Chapter 368 framework for a regulated intrastate natural gas transmission company.

CCS's requested treatment is also consistent with the purpose of Chapter 368 and the Hinshaw Amendment framework, under which an intrastate pipeline that remains wholly within one state and whose rates and services are subject to state regulation may operate outside FERC Natural Gas Act jurisdiction. The statute is self-executing – an entity that meets all the statutory criteria and none of the exclusions is a natural gas transmission company. The Commission's approval of the tariff and regulation of CCS's rates and services under Chapter 368 provides the state regulatory component contemplated by that framework.

2. **Does CCS have a natural gas operator license/operator ID? If not yet, when will that be acquired.**

RESPONSE: CCS is not aware of a separate Florida "natural gas operator license" that must be issued as a precondition to Commission approval of a Chapter 368 transmission company tariff. Pipeline-safety compliance will, however, require CCS, or the entity CCS may contract with that will have primary responsibility for the pipeline safety program, to obtain and use a federal Operator Identification Number ("OPID") from PHMSA as is required by 49 C.F.R. Section 191.22.

CCS will obtain the required OPID before it assumes operator responsibility for the pipeline facilities and before any required PHMSA reporting or National Pipeline Mapping System submissions. If the project meets the federal construction notice thresholds in 49 C.F.R. Section 191.22, CCS will make any required PHMSA National Registry construction notice no later than 60 days before the covered event, unless an exception applies.

CCS will also comply with the Commission's gas safety rules in Chapter 25-12, Florida Administrative Code. Those rules incorporate PHMSA Parts 191, 192, and 199; require written construction specifications and pre-service inspections for new or reconstructed facilities; and require written notice to the Commission at least 15 days before major construction or alteration of pipeline facilities. CCS will provide the Commission with the OPID and applicable safety-notice information once assigned or finalized.

3. **Why does CCS believe the Transportation Agreement with SpaceX needs Commission approval? (SpaceX is not regulated by the Commission and issues such as ratepayer protections, regulated rates, etc. are not at issue here). What are the specific rules, statutes, or precedent that require or authorize the Commission to approve such an agreement?**

RESPONSE: CCS recognizes that under Section 368.105(3), rates charged by a natural gas transmission company are deemed to be just and reasonable without explicit Commission approval if the rates meet the conditions listed in the statute. *See* Docket No. 20070570-GP, Order No. PSC-07-1012-TRF-GP, at 3 (Dec. 21, 2007). In submitting the Transportation Agreement CCS wanted the Commission to understand that the services contemplated by its tariff application are not speculative but based upon a real need by a customer for transportation service to move very large volumes of natural gas in a more reliable and consistent manner than the current truck transportation currently employed.

Because Chapter 368 authorizes Commission review of CCS's filed rates and service terms, CCS filed the Agreement so the Commission would have a complete record. This review provides transparency and regulatory certainty regarding the customer relationship, whether the Commission explicitly approves the Agreement or merely acknowledges it.

4. **Is SpaceX currently being served by an LDC? If yes, which one.**

RESPONSE: No, there is no LDC serving the SpaceX facilities and its launch delivery points at the Cape; the only existing pipeline to the Cape is not located where needed nor does it have the capacity to transport the needed natural gas. To the extent SpaceX receives other natural gas or utility service at other facilities or locations, that service is separate from, and not a substitute for, the proposed dedicated transmission service.

The need for the proposed pipeline exists because the existing natural gas infrastructure serving the Cape Canaveral spaceport area is more than one mile away, lacks the necessary capacity, and does not connect to the required delivery point, meaning there are no available pipeline facilities, let alone facilities that are adequate for SpaceX's expected large, variable, and increasing requirements. As the Petition relates, because of these limitations, SpaceX currently is trucking in all of the natural gas it utilizes. Through this pipeline, SpaceX will have the reliable and affordable natural gas supply system it needs in order to conduct its growing operations at the Cape.

5. **How does SpaceX currently receive its natural gas shipments?**

RESPONSE: As is noted in the Petition, SpaceX currently trucks in the natural gas, transported as LNG, that it utilizes for its rocket fuel. Currently, this involves hundreds of truckloads of LNG per launch, with the volumes of gas needed expected to continue to increase over time due to more launches and larger vehicles. Continuation of truck transportation is impractical, not as reliable or safe as a pipeline, and not as efficient or cost effective as a dedicated natural gas pipeline.

6. **Has SpaceX issued an RFP for the construction of a new transmission pipeline? If not, please explain why not.**

RESPONSE: CCS understands that SpaceX did not issue a formal public RFP for the construction of the proposed transmission pipeline. SpaceX is a private commercial customer, and CCS is not aware of any provision in Chapter 368, the Commission's rules, or applicable Commission precedent that requires a private prospective anchor shipper to conduct a public RFP before entering into a negotiated transportation service agreement with a natural gas transmission company.

SpaceX evaluated multiple vendors (4) before selecting its current vendor. SpaceX's selection of a dedicated pipeline solution was driven by its specialized load profile, required delivery location, reliability needs, timing, the cost and inefficiency of expanding truck delivery, and the physical limitations of existing natural gas infrastructure in the Cape Canaveral area. The proposed pipeline is designed to meet a unique anchor-customer requirement, and the negotiated Transportation Agreement, together with the statutory affidavit process in Section 368.105(3), provides the Act's intended mechanism for Commission review of the negotiated transportation rate and service arrangement.

7. **Are SpaceX and CCS affiliates? Please describe the level of control/ownership as well as outline any intermediary holding companies.**

RESPONSE: Yes. CCS and SpaceX are privately held, "affiliated" entities as that term is defined under section 368.103(1), Florida Statutes. Nonetheless, the Transportation Agreement is an arm's-length commercial arrangement. Consistent with that understanding, the Agreement provides that nothing in it creates a partnership, joint venture, agency, fiduciary relationship, joint and several liability, or vicarious liability between CCS and SpaceX. Coastal Connect is a direct subsidiary of SpaceX.

8. **Will the pipeline interconnect with an interstate pipeline (which one and where)?**

RESPONSE: Yes. The proposed pipeline will interconnect with Florida Gas Transmission interstate natural gas transmission pipeline ("FGT Pipeline") approximately 1.5 miles east of the

Indian River and southwest of State Highway 528 (Beachline Expressway) in Brevard County. The exact route of the pipeline is still being worked out based upon available rights of way and other property availability.

9. Where on the pipeline will the meter be?

RESPONSE: The meter station will be located within a few hundred feet of the interconnect location with the FGT Pipeline.

10. Will the pipeline interconnect with the distribution system of an LDC?

RESPONSE: No, this pipeline will not interconnect with an LDC.

11. What is the length of the proposed pipeline?

RESPONSE: The proposed length of the pipeline is estimated to be 32.4 miles.

12. What size and type of pipe will be used in the proposed pipeline?

RESPONSE: The proposed pipeline will be a 16-inch, steel natural gas transmission pipeline.

13. What will the operating pressure of the proposed pipeline be?

RESPONSE: The operating pressure of the pipeline will be based upon the final design, but presently CCS is planning for 1480-2140 MOAP.

14. What is the projected in-service date of the proposed pipeline?

RESPONSE: The projected in-service date is currently projected to be August 2027. The in-service date will depend on Commission action on the tariff, final engineering, right-of-way acquisition, environmental and local permitting, coordination with the interstate pipeline, procurement, construction, testing, and completion of required safety notices and inspections.

CCS will not place the pipeline into service until the facilities have been inspected and found to comply with applicable construction specifications and operating and maintenance plans, as required by the Commission’s gas-safety rules and other applicable regulations.

15. Paragraph 8 of the petition states that CCS’s capacity, at present, is fully obligated. If CCS would have excess capacity in the future, would CCS make it available to other natural gas users?

RESPONSE: Yes, subject to available capacity, operational feasibility, service location and needs, the rights of existing firm customers, safety, and the terms of CCS’s Commission-approved tariff and Transportation Service Agreements. Section 368.105(6), Florida Statutes, requires a natural gas transmission company to provide transmission access, subject to available capacity, on a basis that is not unreasonably preferential, prejudicial, or unduly discriminatory, but it does not require access at rates that are not just and reasonable.

At present, CCS's contemplated capacity is fully obligated to SpaceX as the anchor shipper, and CCS therefore does not expect to have available capacity at initial service. If future capacity becomes available, or if a future customer requests an expansion or lateral, CCS will evaluate the request under its tariff, applicable law, available upstream capacity, and the operational needs of the system. If additional facilities are required for interconnection, Section 368.105(6) contemplates that the requesting customer must fully compensate the transmission company for reasonable costs incurred.

16. **Paragraph 10 refers to an existing pipeline to Cape Canaveral. Has SpaceX contacted that pipeline about expansion to be able to serve SpaceX? Who owns that existing pipeline? Describe the reasons why SpaceX elected to contract with CCS instead, including but not limited to any cost differentials.**

RESPONSE: CCS understands that SpaceX evaluated the existing natural gas pipeline serving the Cape Canaveral spaceport area owned and operated by Florida City Gas ("FCG") and, after extensive discussion and feasibility assessments with FCG, SpaceX determined that it is not a viable solution for the proposed service. The existing pipeline is small, does not connect to the required SpaceX delivery points, and is inadequate for the volumes, variability, reliability, and timing, as well as the terms, timing, and costs for FCG construction of improvements did not meet the needs and specifications required by SpaceX. After exploring various pipeline options, SpaceX determined that it was in its best business interests to be served by a new affiliated pipeline transportation company. SpaceX's management team evaluated and developed an appropriate corporate model for CCS that best meets its financial, tax, and other business needs.

17. **What other companies did SpaceX contact regarding pipeline expansion to fulfill its needs? Describe the reasons why SpaceX declined to contract with those companies, including but not limited to any cost differentials.**

RESPONSE: SpaceX contacted Chesapeake to explore different options for Florida City Gas or Peninsular Pipeline. In a confidential process, SpaceX also contacted several different pipeline companies regarding the potential construction of an appropriate natural gas transportation pipeline. But after exploring multiple options, given the location, cost, timeliness, route, safety, operational, tax, and service issues, SpaceX made the business decision to utilize a newly created affiliate.

18. **Referring to paragraph 13 of the petition, has SpaceX contacted other natural gas providers to determine the benefits to them of the new pipeline, prior to contracting with CCS to construct a new transmission pipeline?**

RESPONSE: CCS understands that SpaceX evaluated multiple alternatives for meeting its natural gas needs, all of which required some form of new construction, whether leveraging existing infrastructure or developing an all-new service option. After a thorough review, SpaceX determined that using CCS would be the most cost-effective, safest, timely, operational, and reliable way of delivering the needed volumes of natural gas to its facilities at the Cape.

19. **Would a dispute between CCS and SpaceX come before the Commission? What are the specific rules, statutes, or precedent that would require or authorize the Commission to resolve such a dispute?**

RESPONSE: Yes, to the extent any such dispute includes the rates charges or proposed to be charged to the transportation service customer, the Commission would have clear jurisdiction to resolve the dispute under s. 368.105(3), F.S.

The Commission has no jurisdiction to consider disputes outside of what Chapter 368 authorizes, meaning other kinds of disputes would need to be addressed in a court of competent jurisdiction or as the Agreement may provide.