GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's E-Mail Address: bkeating@gunster.com

October 29, 2014

REDACTED

HAND DELIVERY

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

Re: **Docket 140190 -- Petition for approval of transportation service agreement for an extension in Palm Beach 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 Florida Public Utilities Company's and Peninsula Pipeline Company's Joint Request for Confidential Classification of certain information in the Companies' respective responses to Commission Staff's First Data Requests in the referenced docket. Enclosed, consistent with the Rule, are one highlighted and two redacted copies of the subject confidential information.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition for Approval of Transportation Service Agreement for an extension in Palm Beach County with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.	)))))	DOCKET NO. FILED:	140190-GU October 29, 2014

JOINT REQUEST OF FLORIDA PUBLIC UTILITIES COMPANY AND PENINSULA PIPELINE COMPANY FOR CONFIDENTIAL CLASSIFICATION

Florida Public Utilities Company ("FPUC") and Peninsula Pipeline Company, Inc., ("Peninsula")(jointly herein "Companies") by and through the undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(4), Florida Administrative Code, hereby submit their Joint Request for Confidential Classification for information contained in their respective responses to Commission Staff's First Data Requests, issued to the Companies on October 17, 2014, as well as information contained in Attachment 2 to the Responses provided by Peninsula. In support thereof, the Companies hereby state:

1. The Companies seek confidential classification of the highlighted rates and terms in the Companies' respective responses to the Staff's Data Requests, which represent contractual information that both Peninsula and FPUC treat as proprietary confidential business information consistent with the definition of that term in Section 366.093, Florida Statutes, as well as cost information that Peninsula also considers proprietary confidential business information.

2. The information for which the Companies seek confidential classification is information that both treat as confidential, and that meets the definition of "proprietary confidential business information" as set forth in Section 366.093(3), Florida Statutes, which provides:

> (3) Proprietary confidential business information means information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the

> ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public. Proprietary confidential business information includes, but is not limited to:
> (a) Trade secrets.
> (b) Internal auditing controls and reports of internal auditors.
> (c) Security measures, systems, or procedures.
> (d) Information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.
> (e) Information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.
> (f) Employee personnel information unrelated to compensation, duties, qualifications, or responsibilities.

3. Specifically, the Companies seek confidential classification of the highlighted information in Peninsula's response to data requests 1 (page 1), 5 (page 2), 8 (page 4), 9 (page 4), 11 (page 5) and Attachment 2, and in FPUC's response to data request 13 (page 1), 14 (page 1), 16 (page 2), and 18 (page 3). With regard to Attachment 2, the Companies seek confidential classification of the highlighted information in all lines for the columns "Contracted Capacity," "Annual Reservation Charge," "Rate per Dt of Capacity," "Fuel Retention Percentage," "Miles of Pipe," "Size of Pipe," and "Total Const. Cost." The information represents contractual terms and related cost information that, if disclosed, could impair both Companies' ability to contract for goods and services, could impair Peninsula's competitive interests, and could result in harm, ultimately, to FPUC's ratepayers. The information at issue, therefore, falls within Section 366.093(3)(d) and (e), Florida Statutes.

4. Included with this Request are highlighted copies of the Companies' responses, including Attachment 2, reflecting the confidential information. Also enclosed are two redacted copies of the referenced information.

5. The Companies ask that confidential classification be granted for a period of at least 18 months. Should the Commission determine that it no longer needs to retain the information, the Companies respectfully request that the confidential information be returned to the respective Company.

WHEREFORE, FPUC and Peninsula respectfully request that the highlighted information contained in FPUC's and Peninsula's responses to Commission Staff's First Set of Data Requests, including Attachment 2 thereto, be classified as "proprietary confidential business information," and thus, exempt from Section 119.07, Florida Statutes.

RESPECTFULLY SUBMITTED this 29th day of October, 2014.

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

1. Please refer to page 5 of the petition, paragraph 12. What are the costs to Peninsula to perform the following steps related to the project: (a) inspect, test, and reactivate 800 feet of existing 12 inch steel pipe that runs from the southwest corner of Port property to a new interconnection at the southeast corner of the property, (b) install a new interconnection and extend 820 feet of 12 inch steel pipe north across Port property to FPUC facilities serving an existing FPUC customer, and (c) install an additional custody transfer point, with pressure regulation, at the southeast corner of Port property? 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 an extension of the Riviera Beach lateral of 12" steel main onto the Port's property.

The values and types of costs to Peninsula to perform the steps listed on page 5, paragraph 12 of the petition includes the following:

(a) [redacted] includes costs such as: materials, labor, surveying , permitting, restoration
(b) [redacted] includes costs such as: materials, labor, restoration, pressure regulation
(c) [redacted] includes costs such as: meters, pressure regulating devices materials, labor

The types of costs associated with the preceding steps include, but are not limited to the following:

Materials –12" FBE Steel, weld fittings, valves, tie-ins, F1 Kits, meter sets
Labor - Contract and internal
Permits (county, DOT & railroad), Surveys (physical & environmental),
Gas control and pressure regulating devices
Property and asphalt restoration
Miscellaneous equipment

2. 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.

Response:

Peninsula is required to obtain permits from the Florida DOT and Port Authority to install the pipeline and related facilities. All required permits have been applied for, and applicable permits are expected before the end of 2014.

3. For each of the project steps indicated in Question 1 above, what are Peninsula's estimated commencement and completion dates?

Response:

Peninsula anticipates the construction of this line extension to commence in the 4th quarter of 2014 with an estimated completion date in the 2nd quarter of 2015.

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

Response:

Peninsula will recover the cost associated with this project through the monthly reservation charge as detailed in 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 3000 dt/ day on the "Riviera Beach Lateral". The proposed pipeline extension would enable FPU to utilize its existing capacity access to the Riviera Beach Lateral to deliver gas on the pipeline extension, as well as expand capacity an additional [redacted] dt/ day for a total of [redacted] dt/day. 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 and additional capacity. 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 requirement, 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.

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.

<u>Response:</u>

Peninsula is tapping its existing Riviera Beach Lateral reactivating an inactive pipe segment and interconnecting the proposed pipeline extension. Exhibit A should describe the interconnection custody transfer points between Peninsula and FPU as "Points of Delivery" not "Delivery Points".

8. On page 6 of the petition, paragraph 14, 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.

<u>Response:</u>

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 this pipeline will be [redacted] 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 MDTQ amount (confidential) in Exhibit A to the agreement; also, please refer to the increased contract capacity amount (confidential) on page 6 of the petition. As a hypothetical example, suppose the existing FPUC customer on Port property were to consume the full MDTQ on a given day. If that were to occur, it seems that it would not be possible on that day to meet the increased contract capacity commitment to the new interconnection at the southeast corner of Port property. Is it possible that the intended MDTQ should be a larger amount? If the answer is affirmative, it potentially could have a bearing on the responses to Question 10 below and to Question 9 in Staff's First Data Request in Docket No. 140189-GU.

Response:

According to FPU, the existing industrial customer at the Port is not capable of using [redacted] dt/day of gas. Under current conditions, FPU would have approximately [redacted] dt/day (more on certain days) to deliver to its distribution system. At present, the low pressure distribution system in the Port area is fed from a gate station in downtown West Palm Beach several miles away. The proposed interconnection to Peninsula will provide pressure assistance throughout the northern portion of the FPU Palm Beach County system and support growth in the area.

10. 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. 140189-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 Question 9 above, and to Question 9 in Staff's First Data Request in Docket No. 140189-GU.

Response:

As noted above, the primary reason for the difference in the two values is the construction conditions associated with the projects. The pipeline being proposed in Docket No. 140189-GU

is an 6 inch pipe and is being installed in an area of public right-of-way that is primarily open space. The pipeline proposed for consideration in this docket 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 this docket, it must be designed to the same standard as the existing 12 inch lateral to which it is being interconnected. Thus, the pipeline being considered in this docket is subject to higher facility and construction costs than those involved in Docket No. 140189-GU.

11. Regarding the increased contract capacity referred to on page 6 of the petition, paragraph 12(d), please clarify/confirm that this represents additional capacity that would be allocated by Peninsula to customers downstream of the new custody transfer point at the southeast corner of Port property.

Response:

The increased contract capacity amount referenced on page 6 of the petition, paragraph 12(d), represents additional intrastate pipeline capacity being allocated by Peninsula Pipeline to customers downstream of the new custody transfer point at the southeast corner of the Port property. The total capacity over both segments of the original Riviera Beach lateral, and this extension will be [redacted].

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

Response:

See Attachment 1.

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]						
FPUC - Riviera Lateral							
Palm Beach Port Combined **							
William Burgess (Docket No. 140189)	[redacted]						
FPUC - Nassau County *	[redacted]						
Nassau County Combined							
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]

1. Please refer to page 5 of the petition, paragraph 12. What are the costs to Peninsula to perform the following steps related to the project: (a) inspect, test, and reactivate 800 feet of existing 12 inch steel pipe that runs from the southwest corner of Port property to a new interconnection at the southeast corner of the property, (b) install a new interconnection and extend 820 feet of 12 inch steel pipe north across Port property to FPUC facilities serving an existing FPUC customer, and (c) install an additional custody transfer point, with pressure regulation, at the southeast corner of Port property? Please include a general description of the types of costs that will be incurred (*e.g.*, materials, labor, permitting, secure right-of-way, etc.)

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Response:

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<u>Response:</u>

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<u>Response:</u>

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is an 6 inch pipe and is being installed in an area of public right-of-way that is primarily open space. The pipeline proposed for consideration in this docket 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 this docket, it must be designed to the same standard as the existing 12 inch lateral to which it is being interconnected. Thus, the pipeline being considered in this docket is subject to higher facility and construction costs than those involved in Docket No. 140189-GU.

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Response:

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

Response:

See Attachment 1.

Attachment 2
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Docket No. 140189 & 140190
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FPUC - Nassau County *	[redacted]						
Nassau County Combined							
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]

13. 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.

Response:

FPUC did not issue a Request for Proposal (RFP) to obtain construction cost estimates from other entities for this line extension. This project is an extension from an existing Peninsula pipeline for which FPU already has an existing transportation Service Agreement with Peninsula. A larger portion of the capacity quantity held by FPU on the existing Peninsula people will be used to deliver gas to the proposed people extension. There was an increase for an additional [redacted] dt/day. Operationally, it is not practical to insert another pipeline operation for a relatively small expansion. FPU also avoided the costly requirement to move a portion of its main located on the Port. See response to question 18.

14. 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.

Response:

Yes. FPUC evaluated a self build project. There is no material construction cost difference that would result from FPU's installation of the facilities. PPC owns the currently inactive 12" steel pipeline that extends across the southern boundary of the Port. It is not possible, according to the Port, to obtain easement rights to install a parallel FPU pipeline. In any case installing such a parallel pipeline would have significantly increased the project costs. PPC could sell to FPU the southern boundary pipeline or activate that pipe segment up to the interconnect point of the 12" main running north through the Port (the pipe that FPU is required to relocate) and sell FPU the remaining pipeline running to the east. In either scenario Peninsula would be required to construct a custody transfer point and related facilities (included in the proposed project at approximately [redacted] The acquisition of the pipeline from Peninsula would have increased the project cost by approximately $[redacted] (the estimated market value of installing a new pipeline without assessing a premium for limited right-of-way access). If FPU acquired the southern boundary pipeline, it would still incur the reactivation cost of approximately[redacted] (same cost as will be incurred by Peninsula). The cost of the 12" main north through the Port (approximately [redacted] including FPUC's abandonment costs for the 4" main and the rebuild of the South Florida Materials regulator station) would be the same for FPUC as it is for Peninsula. The Peninsula option was the least cost for FPU.

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

Response:
FPUC will seek to recover its payments to Peninsula through its PGA mechanism.

16. 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?

Response:
The Company will seek to recover the payments to Peninsula through its PGA. Historically, the Commission has allowed recovery, through the clause, of upstream transmission pipeline capacity, transportation and related supply costs associated with service expansions to new areas. The Commission reviewed and approved the Company's agreements with both PPC and TECO/PGS to bring natural gas service to Nassau County.

The Company has already included the costs of existing interstate and intrastate capacity agreements, as well as the increased costs for gas supply regarding the Port of Palm Beach in the Company's 2015 PGA projections. The projected annual impact to the 2016 PGA factor will be [redacted]/therm.

17. Based on Peninsula's representation on page 6, paragraph 13, of the petition, it is inferred that the FPUC relocation costs for the 820 feet of 4 inch plastic main would not need to be incurred due to Peninsula's extension of 820 feet of steel pipe. Was FPUC's estimated cost (confidential) to relocate the plastic main an in-house estimate or the result of a competitive bidding process?

Response:
FPUC's estimated cost to relocate the plastic main was an internally generated cost estimate based on standard cost per foot experience for directionally drilled installations of 12" steel pipeline in congested locations. FPUC also requested that two underground utility contractors look at the site and generally confirm the cost estimates, without providing a formal bid price.

18. Please explain the relationship between FPUC's avoided costs of main relocation and Peninsula's construction costs for the new 12 inch extension and describe the work efforts for which FPUC would be compensating Peninsula in lieu of incurring the costs itself.

Response:

The estimated [redacted] FPUC relocation cost assumed that the existing 4" plastic main would be upgraded to 12" steel and that the existing regulator station at the South Florida Materials (SFM) customer location would be rebuilt in anticipation of delivering higher pressure to the inlet side of the station. The existing 4" plastic main currently serving SFM is undersized for the expected load at the Port. In addition, the existing 4" main is served from FPUC's downtown West Palm Beach station several miles to the south and is at the end of a low pressure distribution system run. The proposed project includes approximately [redacted] for Peninsula to install the same 12" steel pipeline and a custody transfer point (virtually the same regulation as originally anticipated for FPUC at SFM). FPUC will incur approximately [redacted] to disconnect and abandon the existing 4' plastic main.

19. Are the costs of FPUC's 4 inch plastic main currently included in FPUC's base rates?

Response:

Yes the costs of FPUC's 4 inch plastic main located on the Port of Palm Beach property are included in FPUC's base rates.

20. Please discuss what will happen to the 4 inch plastic main (e.g., abandoned in place?) and how FPUC will treat the remaining book investment associated with the asset(s).

Response:

The 4 inch plastic main will be abandoned in place. It cannot be reactivated after abandonment because it will be underneath structures installed by a new tenant on the Port property, which is the reason for the abandonment. FPUC will write off the book value of the 4 inch plastic main at the point of abandonment.

13. 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.

<u>**Response:**</u>

FPUC did not issue a Request for Proposal (RFP) to obtain construction cost estimates from other entities for this line extension. This project is an extension from an existing Peninsula pipeline for which FPU already has an existing transportation Service Agreement with Peninsula. A larger portion of the capacity quantity held by FPU on the existing Peninsula people will be used to deliver gas to the proposed people extension. There was an increase for an additional [redacted] dt/day. Operationally, it is not practical to insert another pipeline operation for a relatively small expansion. FPU also avoided the costly requirement to move a portion of its main located on the Port. See response to question 18.

14. 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.

<u>**Response:**</u>

Yes. FPUC evaluated a self build project. There is no material construction cost difference that would result from FPU's installation of the facilities. PPC owns the currently inactive 12" steel pipeline that extends across the southern boundary of the Port. It is not possible, according to the Port, to obtain easement rights to install a parallel FPU pipeline. In any case installing such a parallel pipeline would have significantly increased the project costs. PPC could sell to FPU the southern boundary pipeline or activate that pipe segment up to the interconnect point of the 12" main running north through the Port (the pipe that FPU is required to relocate) and sell FPU the remaining pipeline running to the east. In either scenario Peninsula would be required to construct a custody transfer point and related facilities (included in the proposed project at approximately [redacted] The acquisition of the pipeline from Peninsula would have increased the project cost by approximately $[redacted] (the estimated market value of installing a new pipeline without assessing a premium for limited right-of-way access). If FPU acquired the southern boundary pipeline, it would still incur the reactivation cost of approximately [redacted] (same cost as will be incurred by Peninsula). The cost of the 12" main north through the Port (approximately [redacted] including FPUC's abandonment costs for the 4" main and the rebuild of the South Florida Materials regulator station) would be the same for FPUC as it is for Peninsula. The Peninsula option was the least cost for FPU.

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

Response:

FPUC will seek to recover its payments to Peninsula through its PGA mechanism.

16. 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?

Response:

The Company will seek to recover the payments to Peninsula through its PGA. Historically, the Commission has allowed recovery, through the clause, of upstream transmission pipeline capacity, transportation and related supply costs associated with service expansions to new areas. The Commission reviewed and approved the Company's agreements with both PPC and TECO/PGS to bring natural gas service to Nassau County.

The Company has already included the costs of existing interstate and intrastate capacity agreements, as well as the increased costs for gas supply regarding the Port of Palm Beach in the Company's 2015 PGA projections. The projected annual impact to the 2016 PGA factor will be [redacted]/therm.

17. Based on Peninsula's representation on page 6, paragraph 13, of the petition, it is inferred that the FPUC relocation costs for the 820 feet of 4 inch plastic main would not need to be incurred due to Peninsula's extension of 820 feet of steel pipe. Was FPUC's estimated cost (confidential) to relocate the plastic main an in-house estimate or the result of a competitive bidding process?

Response:

FPUC's estimated cost to relocate the plastic main was an internally generated cost estimate based on standard cost per foot experience for directionally drilled installations of 12" steel pipeline in congested locations. FPUC also requested that two underground utility contractors look at the site and generally confirm the cost estimates, without providing a formal bid price.

18. Please explain the relationship between FPUC's avoided costs of main relocation and Peninsula's construction costs for the new 12 inch extension and describe the work efforts for which FPUC would be compensating Peninsula in lieu of incurring the costs itself.

Response:

The estimated [redacted] FPUC relocation cost assumed that the existing 4" plastic main would be upgraded to 12" steel and that the existing regulator station at the South Florida Materials (SFM) customer location would be rebuilt in anticipation of delivering higher pressure to the inlet side of the station. The existing 4" plastic main currently serving SFM is undersized for the expected load at the Port. In addition, the existing 4" main is served from FPUC's downtown West Palm Beach station several miles to the south and is at the end of a low pressure distribution system run. The proposed project includes approximately [redacted] for Peninsula to install the same 12" steel pipeline and a custody transfer point (virtually the same regulation as originally anticipated for FPUC at SFM). FPUC will incur approximately [redacted] to disconnect and abandon the existing 4' plastic main.

19. Are the costs of FPUC's 4 inch plastic main currently included in FPUC's base rates?

Response:

Yes the costs of FPUC's 4 inch plastic main located on the Port of Palm Beach property are included in FPUC's base rates.

20. Please discuss what will happen to the 4 inch plastic main (e.g., abandoned in place?) and how FPUC will treat the remaining book investment associated with the asset(s).

Response:

The 4 inch plastic main will be abandoned in place. It cannot be reactivated after abandonment because it will be underneath structures installed by a new tenant on the Port property, which is the reason for the abandonment. FPUC will write off the book value of the 4 inch plastic main at the point of abandonment.