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October 10, 2019

E-Portal

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

Re: Docket No. 20190145-GU: Joint petition for approval of restructured Nassau County agreements to reflect Callahan expansion, by Peoples Gas System, Florida Public Utilities Company, SeaCoast Gas Transmission, and Peninsula Pipeline Company, Inc.

Dear Mr. Teitzman:

Attached for electronic filing, please find the Joint Responses [redacted] of Florida Public Utilities Company, Peninsula Pipeline Company, Peoples Gas System, and SeaCoast Gas Transmission, LLC to Commission Staff's First Data Requests in the referenced docket. Certain information contained in response to one of the data requests is considered confidential by the Joint Petitioners, and consequently it has been redacted herein. The highlighted, confidential version will be provided, under separate cover, along with an appropriate Request for Confidential Classification, as soon as possible.

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

Kind regards,



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MEK

Cc:// Kristen Simmons (Office of General Counsel)
Sevini Guffey (Division of Economics)
Stephanie Morse (Office of Public Counsel)

Re: Docket No. 20190145-GU: Joint petition for approval of restructured Nassau County agreements to reflect Callahan expansion, by Peoples Gas System, Florida Public Utilities Company, SeaCoast Gas Transmission, and Peninsula Pipeline Company, Inc.

1. Regarding the proposed new Callahan pipeline discussed in paragraph 12 of the petition, please respond to the following:
 - a. Please confirm that no Commission approval is needed for Peninsula and SeaCoast to jointly construct and own the pipeline and Peninsula operating the pipeline.
 - b. Explain why Peninsula and SeaCoast will jointly construct and own the Callahan pipeline, as opposed to one company constructing and owning the pipeline.
 - c. Is the Callahan pipeline sized to meet the current capacity needs of Peoples and Peninsula/FPUC, or is built to allow for potential future capacity requests by other customers?
 - d. How will Peninsula recover its cost of construction and operation of the Callahan pipeline? Does the proposed amended Peninsula – FPUC agreement provide for Peninsula to transport gas for delivery to FPUC over its portion of the Callahan pipeline?
 - e. State the estimated total construction cost of the Callahan project and discuss how Peninsula and SeaCoast are coordinating the construction to fairly allocate the costs between them.

Companies' Responses:

- a. The companies believe that no Commission approval is needed for the joint construction and ownership of the pipeline. The only approvals needed are for the affiliate transactions between Seacoast and PGS and Peninsula and FPUC, respectively, as outlined in the Petition and as referenced in Order No. PSC 07-1012-TRF-GP and Order No. PSC 08-0747-TRF-GP.
- b. To be clear, Paragraph 12 of the petition states that Peninsula will be the company constructing the Callahan Pipeline and that both SeaCoast and Peninsula will have a 50/50 investment and ownership in the pipeline.


Peninsula and SeaCoast identified the preferred route of the Callahan pipeline to meet customer demand in Nassau and Duval counties. Peninsula and SeaCoast have a history of working cooperatively to reach both unserved and underserved customers, and given this history, both companies agreed to equally share the

capital requirements for the Callahan pipeline to deliver cost efficiencies to customers, instead of potentially building competing pipeline projects.

- c. The Callahan pipeline is sized to meet both existing needs, as well as the needs of unserved and underserved customers in both Nassau and Duval Counties for each company, respectively.
- d. Peninsula's portion of the project costs will be recovered through monthly reservation charges to its customers. Yes, the proposed amended Peninsula-FPUC agreement provides for the transportation of gas by Peninsula across its portion of the Callahan Pipeline.
- e. The estimated total construction cost of the Callahan pipeline project is approximately \$65 million. Peninsula is leading the development and construction activities and SeaCoast has agreed to contribute 50% of the capital for the project. Both companies are well experienced in permitting, land acquisition, construction and other aspects of a project of this type and scope.

2. Regarding the proposed new SeaCoast - Peoples Firm Transportation Agreement discussed on paragraph 19 of the petition, please respond to the following:
 - a. What percentage of the available Callahan capacity will Peoples reserve? How will Peoples recover its payments to SeaCoast? If through the PGA, please state the expected incremental c/therm impact on the PGA cap.
 - b. Paragraph 11 of the agreement refers to operational flow orders. Please explain that term.
 - c. Exhibit B to the SeaCoast – Peoples agreement lists two delivery points. Does this mean these are the only two points Peoples will be able to have gas delivered to its distribution system pursuant to this agreement? Please explain.
 - d. The petition states that Peoples will also receive firm transportation service from FPUC over the Callahan pipeline for an initial term of 10 years. Please explain whether this arrangement is included in an agreement before the Commission or no Commission approvals are needed.
 - e. Please provide the effective date of this agreement.

Companies' Responses:

- a. The total Callahan capacity is 148,248 MMBtu/day. Peoples has subscribed to  Peoples will recover its payments to Seacoast and FPUC through the Purchased Gas Adjustment (PGA). Peoples anticipates no additional increase to the 2020 PGA cap of \$.9909 per therm as a result of this project. [Redacted]
- b. Per the SeaCoast tariff, an Operational Flow Order, or OFO, is: "Any Gas Day where Company notifies Shipper(s) of conditions that could threaten the safe operation or system integrity of the Company and where deliveries of Shipper's Gas to Company Receipt Point(s) are required to be within certain specified hourly or daily Gas flow Quantities." This method of communication with pipeline shippers is an industry standard that pipelines use to ensure the firm rights of shippers are protected.
- c. At the time of this agreement two delivery points are required for service to Peoples Gas. Peoples may negotiate additional delivery points in the future with SeaCoast if necessary.
- d. The agreement between FPU and Peoples is under FPUC's Flexible Gas Service tariff. Pursuant to that tariff, the agreement itself does not need to be filed for

approval if the customer (i.e. Peoples Gas) meets the tariff criteria. In this instance, Peoples Gas meets the criteria in that it has a self-build option and providing transportation service to Peoples will protect FPUC's general body of ratepayers by lowering the costs of the new pipeline.

- e. The effective date of the Seacoast – Peoples Firm Transportation Service is the in-service date of the Callahan pipeline. The Callahan pipeline is estimated to be in-service on September 30, 2020.

3. Regarding the changes of ownership of the Fernandina Beach Line, discussed on paragraph 15 of the petition, please respond to the following:
 - a. Please explain the purpose of changing the ownership from jointly owned by Peninsula and Peoples to Peninsula owning the northern portion and Peoples owning the southern portion of the Fernandina Beach Line.
 - b. The “like-kind exchange” referred to in the petition – does that mean no monies will be exchanged between Peninsula and Peoples and vice versa for the change in ownership? If yes, please explain how that is “fair” since the northern portion of the Fernandina Beach line appears to be the majority of the length of the Fernandina Beach Line, while the southern portion of the Fernandina Beach Line that will be owned by Peoples Gas is a lot shorter.
 - c. Discuss the reasons for the gas flow changes discussed on paragraph 13 of the petition and technically how that gets accomplished.
 - d. Paragraph 10 of the petition states that the existing Fernandina Beach pipeline is approaching being fully subscribed. What are the reasons/events that have caused this pipeline to be almost fully subscribed? Is FPUC the only customer that takes service from the Peninsula delivery points on the Fernandina Beach line, or are there other customers that request capacity from Peninsula? Please explain.
 - e. Please provide the anticipated date the change in ownership will occur.

Companies’ Responses:

- a. Currently, gas flows south to north from Peoples Jacksonville system through the Fernandina Beach Line to the FPUC system and Peoples customer, WestRock, on Amelia Island. With in-service of the Callahan pipeline, gas will flow west to east on the Callahan pipeline to the Fernandina Beach Line. Upon introduction to the Fernandina Beach Line, gas will flow both north to the FPUC system, but also south to the Peoples Jacksonville system.

With the gas flow change, separate ownership and operational control of the respective parties for the northern and southern portions of the existing Fernandina Beach Line optimizes and clarifies each company’s role and responsibilities for operations and maintenance. Both parties can better operate their respective portions of the pipeline to meet customer demand.

- b. No monies will be exchanged for the change in ownership between Peninsula and Peoples on the Fernandina Beach Line. The parties agree that the exchange is fair given the capacity rights to their respective customer bases. There is no impact to either companies’ general body of ratepayers for this exchange. The transaction will increase incremental capacity for both companies. So, while Peoples is

receiving less physical pipe in the exchange, it is receiving greater incremental capacity that it would not be able to achieve in the absence of the Agreement. Similarly, the fact that FPUC is receiving more pipe than Peoples does not mean that it is receiving greater value than Peoples. The value is in the increased incremental capacity for FPUC. The fact that one party receives more physical pipe than the other is incidental to the real value of the exchange which is the capacity increase. The exchange of pipe is a way of reflecting the sections of the pipeline that will be actually utilized by FPUC and Peoples to achieve the increase in capacity.

- c. After the system upgrades by Peoples, the northern portion of the Fernandina Beach Line and the southern portion of the Fernandina Beach Line will have different Maximum Allowable Operating Pressures (MAOP). This will require the pressure control stations feeding from the new Callahan Pipeline, through the meters discussed above, into the northern and southern portions to have separate pressure control and overpressure protection systems and to be physically isolated from each other.
- d. The Fernandina Beach pipeline is approaching full subscription as a result of growth in Nassau County. FPUC is the primary customer on the Fernandina Beach pipeline, and Peoples also has a customer, WestRock, on the existing pipeline as well.
- e. The anticipated date the change in ownership will occur is the in-service date of the Callahan pipeline. The estimated in-service date is September 30, 2020.

4. Regarding the amendment of the 2012 FPUC – Peninsula Transportation Agreement that Commission approved in 2012, please respond to the following:
 - a. Please clarify whether the 2012 agreement is replaced in its entirety (3rd Whereas on first page of amended agreement) or certain provisions remain the same (4th Whereas on first page of amended agreement).
 - b. The 2012 agreement provides for FPUC to pay Peninsula for the transportation of gas from the FGT/Peoples interconnection through Peoples System and Peninsula portion of the Fernandina Beach Line to points of delivery to FPUC in Nassau County. What exactly changes to the above described agreement to necessitate an amendment to the 2012 agreement? Is it the addition of the Callahan pipeline and over which FPUC will have gas delivered? Please explain.
 - c. Please provide the effective date of this amendment.

Companies' Responses:

- a. The Exhibit A (3rd Whereas statement) of the 2012 FPUC – Peninsula Transportation Agreement is being amended. The remainder of that agreement remains in effect (4th Whereas statement.)
- b. The amendment of this agreement was necessary to reflect the significant increase in Maximum Daily Transportation Quantities needed to support the growth in Nassau County, as well as the addition of a new Delivery Point with SONAT.
- c. The effective date of this amendment is July 19, 2019.

5. Regarding the proposed termination of the Peoples – Peninsula agreement the Commission approved in 2012, please respond to the following:
 - a. The agreement provides for Peoples' recovery of certain costs as stated in the order approving the agreement. How will Peoples continue to recover those costs if the agreement is proposed to be terminated (i.e., Peninsula will stop paying Peoples)? Please explain.
 - b. Please provide the anticipated effective date of the termination

Companies' Responses:

- a. Once the Callahan pipeline becomes operational, Peoples will no longer be transporting FPUC's gas through PGS's system. Therefore, FPUC will stop making payments to PGS for transportation of gas through the Peoples system to reach FPUC customers. Peoples expects that it will be able to recover costs through revenue derived from the addition of new customers due to the increased capacity that will result from this Agreement. That additional revenue will begin to be realized shortly after the Callahan pipeline becomes operational.
- b. The anticipated effective date of the termination of the Peoples – Peninsula agreement is the in-service date of the Callahan pipeline. The estimated in-service date is September 30, 2020.

6. Please provide a large scale map showing the existing and proposed pipeline interconnects, interconnection points, delivery points, points of delivery discussed/listed in the petition and exhibits, and indicate the directional flow of gas of the existing and proposed pipelines that are the subject matter in this docket

Companies' Response:

See attached map.

7. Exhibit C, in the SeaCoast/PGS Firm Transportation Service Agreement, contains only the title page of the Operational Balancing Agreement (OBA) which states “to be negotiated per Section 5 of the Firm Service Agreement”. Please state if the OBA has been executed, and if so, please provide copy.

Companies’ Response:

SeaCoast and PGS have agreed to the essential terms and conditions of the Operation Balancing Agreement which are generally based on the terms and conditions of the Delivery Point Operator Agreement between Southern Natural Intrastate Pipeline and Peninsula Pipeline Company.

8. If there is a delay in the construction of the new Callahan pipeline, what impact will this have on the pending modification/cancelation/agreement requests in the instant petition? Please explain.

Companies' Response:

The proposed and corresponding modification and cancellation of existing agreements are all tied to the in-service date of the Callahan pipeline. A delay in the construction of the Callahan pipeline would result in a corresponding delay in the modification and/or cancellation of existing agreements.

