

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 21, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Hampson)
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20250042-GU – Petition for approval of amendment to transportation service agreement between Peninsula Pipeline Company, Inc. and Florida City Gas.

AGENDA: 06/03/25 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 14, 2025, Peninsula Pipeline Company, Inc. (Peninsula) filed its petition for approval of an amendment to a transportation service agreement between Peninsula and Florida City Gas (FCG). Peninsula states that it has received notice of a mandatory relocation by the Florida Department of Transportation (FDOT) for a road enhancement project. Peninsula has been mandated to relocate approximately 6,000 feet of 6-inch steel gas pipeline from the public right of way in Indian River County. The proposed amendment to the transportation service agreement is a result of the mandatory relocation by FDOT.

Peninsula, a wholly owned subsidiary of Chesapeake Utilities Corporation (Chesapeake), operates as an intrastate natural gas transmission company as defined by Section 368.103(4),

Florida Statutes (F.S.).¹ FCG is a local distribution company, and is also a wholly owned subsidiary of Chesapeake, subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S. FCG provides natural gas service to residential, commercial, and industrial customers in Brevard, Indian River, and Miami-Dade Counties, and receives deliveries of natural gas to serve these customers over the interstate transmission pipelines owned by Florida Gas Transmission Company, LLC. The Parties are subsidiaries of Chesapeake, and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S.

In July 2024, the Commission approved Peninsula's petition for approval of transportation service agreements between Peninsula and FCG.² As described on page 5 of the 2024 Order, the Indian River agreement also consolidated certain pre-existing agreements, which had been entered into before FCG was acquired by Chesapeake and therefore were not subject to the approval of the Commission. The pipeline segment FDOT has now required Peninsula to relocate was initially constructed pursuant to a 2012 agreement and was consolidated in the 2024 agreement, as discussed on page 5 of the 2024 Order.

During the evaluation of the petition, staff issued one data request to Peninsula, for which responses were received on April 28, 2025.³ The proposed amendment to the transportation service agreement is included in the recommendation as Attachment A. This proposed amendment also includes Exhibits A, B, and C to the transportation service agreement. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

¹ Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

² Order No. PSC-2024-0271-PAA-GU, issued July 26, 2024, in Docket No. 20240039-GU, *In re: Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.*

³ Document No. 03191-2025.

Discussion of Issues

Issue 1: Should the Commission approve the proposed amendment to the transportation service agreement between Peninsula and FCG, dated February 14, 2025?

Recommendation: Yes, the Commission should approve the proposed amendment to the transportation service agreement between Peninsula and FCG, dated February 14, 2025. The proposed Total Monthly Reservation Charge for Segment I, as shown on Exhibits A and C to the transportation service agreement, is reasonable and meets the requirements of Section 368.105, F.S. (Hampson)

Staff Analysis: Peninsula initially received notice from FDOT of the road enhancement project in Indian River County on May 24, 2024.⁴ As described in Peninsula's notice to FCG, this road enhancement project requires Peninsula to relocate approximately 6,000 feet of 6-inch steel gas pipeline from the public right of way. Peninsula stated that the relocation of the pipeline segment is expected to be completed by November 2025.⁵ Section 4.3 of the 2024 transportation service agreement allows Peninsula to adjust the Monthly Reservation Charge to recover the cost of mandatory relocations of pipeline facilities.⁶ Section 4.3 of the 2024 agreement states:

“If, at any time after the Execution Date and throughout the term of this Agreement, [Peninsula] is required by any Governmental Authority... asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional capital expenditures with regard to the service provided by [Peninsula] under this Agreement... including, without limitation, mandated relocations of [Peninsula's] pipeline facilities serving [FCG's] facility..., then [FCG's] Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action, subject to Commission approval of the amendment.”

Peninsula states the revised monthly reservation charge in the proposed amendment is appropriately modified to include the incremental costs required to relocate the pipeline segment. Peninsula provided a breakdown of the incremental capital costs to be incurred in response to staff's first data request.⁷ In its response, Peninsula stated that the pipeline relocation would total approximately \$3.1 million in capital costs, which includes \$1.3 million in materials, supplies, and contingency, \$940,000 in contractor labor, and \$366,000 in inspections. Peninsula also provided in its responses the inputs used to calculate the incremental monthly reservation charge, which includes interest expense and return on equity, book depreciation, incremental operations and maintenance, and tax expense associated with the capital costs.

In addition to the revised Monthly Reservation Charge on Exhibits A and C to the agreement, Peninsula has also updated Exhibit B to include Pivotal Utility Holding, Inc. to Florida City Gas's name in the title. No other modifications to Exhibit B have been proposed.

⁴ Responses to Staff's First Data Request, No. 7.

⁵ Responses to Staff's First Data Request, No. 8.

⁶ See Order No. PSC-2024-0271-PAA-GU, page 27.

⁷ Responses to Staff's First Data Request, No. 1.

Conclusion

Based on the information provided in the petition and Peninsula's responses to data requests, staff recommends the Commission should approve the proposed amendment to the transportation service agreement between Peninsula and FCG, dated February 14, 2025. The proposed Total Monthly Reservation Charge for Segment I, as shown on Exhibits A and C to the transportation service agreement, is reasonable and meets the requirements of Section 368.105, F.S.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Dose)

Staff Analysis: If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

FIRST AMENDMENT TO
FIRM TRANSPORTATION SERVICE AGREEMENT

This First Amendment to Firm Transportation Service Agreement (“Amendment No. 1”) is made and entered into this 14th day of February, 2025, by and between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called "Company" or “PPC”), and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas, a New Jersey corporation (herein called "Shipper" or “FCG” and jointly with Company called “Parties”) to amend certain provisions of the Firm Transportation Service Agreement dated February 26, 2024, between Company and Shipper.

WITNESSETH

WHEREAS, Company and Shipper are parties to that certain Firm Transportation Service Agreement entered into on February 26, 2024, and included in a petition filed with the Florida Public Service Commission (“FPSC”) in Docket No. 20240039-GU (the “Agreement”), pursuant to which Company provides Shipper with firm transportation in Indian River County, Florida; and

WHEREAS, the Parties desire to amend the Agreement to revise the monthly reservation charge for Segment I in Exhibits A, B, and C of the Agreement to include the incremental costs for the relocation of a 6-inch steel transmission main from public right of way in compliance with the Florida Department of Transportation (“FDOT”) Project 405606-7-52-01 to widen Country Road 510.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.
2. By this Amendment No. 1, Exhibits A, B, and C are hereby amended by replacing them with the attached Exhibits A, B, and C in their entirety.
3. The Parties agree to execute and file with the Commission a petition for approval of this Amendment No. 1 within thirty (30) days of execution by both Parties.
4. Except as modified by this Amendment No. 1, the Agreement shall remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY
Peninsula Pipeline Company, Inc.

By: Kevin Webber
Kevin J. Webber

Senior Vice President and Chief Development Officer

Date: 02/27/2025

SHIPPER
Pivotal Utility Holdings, Inc.
d/b/a Florida City Gas

By: Jeffrey S. Sylvester
Jeffrey S. Sylvester

President and Chief Operating Officer

Date: 02/26/2025

EXHIBIT A

FIRM TRANSPORTATION SERVICE AGREEMENT BETWEEN

PENINSULA PIPELINE COMPANY, INC. AND

PIVOTAL UTILITIES HOLDING, INC. d/b/a/

FLORIDA CITY GAS

FEBRUARY 14, 2025

Segment I

Description of Transporter Delivery Point(s)

1. Interconnection between Florida Gas Transmission and the vicinity of I-95 and County Road 512

Description of Point(s) of Delivery

1. Interconnection between Shipper and Company in the area of Winter Beach, Florida
2. Interconnection between Shipper and Company in the area of Fellsmere, Florida

Total MDTQ (Dekatherms): Dt/Day [REDACTED]

MHTP: [REDACTED]

Total Monthly Reservation Charge (Segment I): [REDACTED]

Monthly Reservation Charge if Agreement extends beyond initial thirty (30) year period:

[REDACTED]

Unauthorized Use Rate (In addition to Monthly Reservation Charge): [REDACTED] Each Day

Unauthorized Use

EXHIBIT B
FIRM TRANSPORTATION SERVICE AGREEMENT
BETWEEN
PENINSULA PIPELINE COMPANY, INC. AND
PIVOTAL UTILITIES HOLDING, INC. d/b/a/
FLORIDA CITY GAS

FEBRUARY 14, 2025

Segment II

Description of Transporter Delivery Point(s)

1. A tap to the existing pipeline constructed in Segment I at or near 5900 85th Street, Vero Beach, Florida 32958

Description of Point(s) of Delivery

Interconnections between Company and Shipper's distribution lines at the following locations:

1. Highway 510 Wabasso Station
2. Beachside Orchid Station
3. Beach Turtle Trail Station
4. Beachside Indian River Shores Station
5. Beachside Greywig Station

From the Interconnection points identified herein, Company shall construct the Pipeline that shall consist of 10.93 miles of 4.50" x 0.188" API-5L X52 pipe. The design operating pressure is 625 psig, with an MAOP of 700 psig. At 700 psig the hoop stress in the 4" pipe is approximately 16.11% SMYS. The final design and construction of the Pipeline shall not materially deviate from these interconnection points or specifications absent a written and signed amendment of the Parties to this first revised amendment. The Pipeline consists of pipeline only and does not include any gate station, regulator station, branch valves, laterals, required property, etc.

MHTP [REDACTED]

Total MDTQ (Dekatherms): [REDACTED] Dt/Day

Monthly Reservation Charge for thirty (30) year period (Segment II):

Years 1-5 [REDACTED]
Years 6-10 [REDACTED]
Years 11-15 [REDACTED]

Years 16-20 [REDACTED]
Years 21-25 [REDACTED]
Years 26-30 [REDACTED]

Where the Year 1 begins on the in-service 04/01/2023

Unauthorized Use Rate (In addition to Monthly Reservation Charge): [REDACTED]/Each Day
Unauthorized Use

EXHIBIT C
FIRM TRANSPORTATION SERVICE AGREEMENT
BETWEEN
PENINSULA PIPELINE COMPANY, INC. AND
PIVOTAL UTILITIES HOLDING, INC. d/b/a/
FLORIDA CITY GAS

FEBRUARY 14, 2025

Segment I

Description of Transporter Delivery Point(s)

2. Interconnection between Florida Gas Transmission and the vicinity of I-95 and County Road 512

Description of Point(s) of Delivery

3. Interconnection between Shipper and Company in the area of Winter Beach, Florida,
4. Interconnection between Shipper and Company in the area of Fellsmere, Florida

Total MDTQ (Dekatherms): Dt/Day [REDACTED]
MHTP: [REDACTED]

Total Monthly Reservation Charge (Segment I): [REDACTED]
Monthly Reservation Charge if Agreement extends beyond initial thirty (30) year period:
[REDACTED]

Segment II

Description of Transporter Delivery Point(s)

2. A tap to the existing pipeline constructed in Segment I at or near 5900 85th Street, Vero Beach, Florida 32958

Description of Point(s) of Delivery

Interconnections between Company and Shipper's distribution lines at the following locations:

6. Highway 510 Wabasso Station
7. Beachside Orchid Station
8. Beach Turtle Trail Station
9. Beachside Indian River Shores Station
10. Beachside Greytwig Station

From the Interconnection points identified herein, Company shall construct the Pipeline that shall consist of 10.93 miles of 4.50" x 0.188" API-5L X52 pipe. The design operating pressure is 625 psig, with an MAOP of 700 psig. At 700 psig the hoop stress in the 4" pipe is approximately 16.11% SMYS. The final design and construction of the Pipeline shall not materially deviate from these interconnection points or specifications absent a written and signed amendment of the Parties to this first revised amendment. The Pipeline consists of pipeline only and does not include any gate station, regulator station, branch valves, laterals, required property, etc.

MHTP: [REDACTED]

Total MDTQ (Dekatherms): [REDACTED] Dt/Day

Years 1-5 [REDACTED]
Years 6-10 [REDACTED]
Years 11-15 [REDACTED]
Years 16-20 [REDACTED]
Years 21-25 [REDACTED]
Years 26-30 [REDACTED]

Monthly Reservation Charge for thirty (30) year period (Segment II):

Where the Year 1 begins on the in-service 04/01/2023

Segment III

Description of Transporter Delivery Point(s)

1. At or near Oslo Road and 74th Avenue
2. 77th Street and Kings Highway

Description of Point(s) of Delivery

1. At or near Oslo Road and 74th Avenue
2. 77th Street and Kings Highway
3. At or near 74th Avenue and N Sandpiper Drive

Total MDTQ (Dekatherms): Dt/Day [REDACTED]

MHTP: [REDACTED]

Total Monthly Reservation Charge (Segment III): [REDACTED]

This charge is subject to adjustment pursuant to the terms of this Agreement.

Unauthorized Use Rate (In addition to Monthly Reservation Charge): [REDACTED]/Each Day Unauthorized Use