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March 8, 1993

Mr. Steve Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

via Hand Delivery

Re: Application for Determination of Need for an  
Intrastate Natural Gas Pipeline; Docket #920807-GP

Dear Mr. Tribble:

Enclosed for filing please find an original and fifteen copies  
of Sunshine Pipeline Partners Direct Testimony of E. J. Burgin,  
John P. Lucido, Ronald J. Hrehor, Judah L. Rose and Peter S. Fox,  
Penner for the above-referenced docket.

You will also find a copy of this letter enclosed. Please  
date-stamp the copy of the letter to indicate that the original was  
filed and return a copy to me.

If you have any questions regarding this matter, please feel  
free to contact me. Thank you for your assistance in processing  
this filing.

Respectfully,

HABEN, CULPEPPER, DUNBAR  
& FRENCH, P.A.

*Peter M. Dunbar*

Peter M. Dunbar

- ACK \_\_\_\_\_
- AFA 1
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG 1
- LEG 1
- LIN 6 PMD/tmz
- OPC \_\_\_\_\_
- RCH cc: All parties of record
- SEC 1
- WAS RECEIVED & FILED
- OTH Jen

BUREAU OF RECORDS

*Lucido*  
DOCUMENT NUMBER-DATE  
02607 MAR-88  
FPSC-RECORDS/REPORTING

*Burgin*  
DOCUMENT NUMBER-DATE  
02606 MAR-88  
FPSC-RECORDS/REPORTING

*Boal*  
DOCUMENT NUMBER-DATE  
02610 MAR-88  
FPSC-RECORDS/REPORTING

*Aut Penner*  
DOCUMENT NUMBER-DATE  
02609 MAR-88  
FPSC-RECORDS/REPORTING

*Hrehor*  
DOCUMENT NUMBER-DATE  
02608 MAR-88  
FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE  
DOCKET NO. 920807-GP**

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of E. J. Burgin, John P. Lucido, Ronald J. Hrehor, Judah L. Rose and Peter S. Fox-Penner have been served by U.S. Mail on this 8th day of March, 1993, to the following parties of record:

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ANR Southern Pipeline Company  
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Houston, Texas 77046

  
\_\_\_\_\_  
PETER M. DUNBAR

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for )  
Determination of Need for )  
an Intrastate Natural Gas )  
Pipeline by SunShine )  
Pipeline Partners )  
\_\_\_\_\_ )

Docket No.: 920807-GP  
Filed: March 8, 1993

DIRECT TESTIMONY  
OF  
E. J. BURGIN  
FOR  
SUNSHINE PIPELINE PARTNERS

DOCUMENT NO.  
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BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 920807-GP

DIRECT TESTIMONY OF

E. J. BURGIN

ON BEHALF OF SUNSHINE PIPELINE PARTNERS

Q. Please state your name and business address.

A. My name is E. J. Burgin. My business address is 9  
Greenway Plaza, Houston, Texas 77046.

Q. By whom are you employed and in what capacity?

A. I am President and Chief Operating Officer of  
SunShine Pipeline Company ("SunShine").

Q. Would you briefly state your educational background  
and your work experience?

A. I attended the University of Tennessee for my  
undergraduate education and after a tour in the  
military where I served as a U.S. Army Captain and  
Infantry Company Commander during the Korean War, I  
completed my studies and received a Bachelor of  
Science Degree in Mechanical Engineering in 1955.

I actually started my career in the natural  
gas industry in 1950 as a District Engineer with  
East Tennessee Natural Gas Company. In 1955, I  
accepted the position of Vice President with South  
Georgia Natural Gas Company ("South Georgia"). At

1 South Georgia, I was responsible for introducing  
2 natural gas to the electric generation market at  
3 Florida Power Corporation's ("FPC") Ellaville Plant  
4 and to the City of Tallahassee's Purdom Plant. In  
5 1959, I joined Florida Gas Transmission Company  
6 ("FGT") as Manager of Operations and served in this  
7 capacity until 1974. During my first year as  
8 Manager of Operations with FGT, I participated in  
9 the initial delivery of natural gas to FPC's Inglis  
10 Plant, which was the first electric generating  
11 plant in the Florida Peninsula to burn natural gas  
12 as a boiler fuel.

13 While at FGT, I was made Vice President of  
14 Operations in 1974, Vice President of Marketing in  
15 1977 and Executive Vice President in 1981. During  
16 1981, I participated in and graduated from the  
17 Stanford University Executive Program in Palo Alto,  
18 California.

19 In 1985 FGT merged with Houston Natural Gas  
20 Company and I became Executive Vice President of  
21 HNG Interstate Pipeline Companies. I next became  
22 President of Enron Pipeline Service Company in  
23 January, 1986 and one year later, was named  
24 President of Enron Gas Pipeline Operating Company  
25 where I also served on the Enron Corporation

1 Management Committee. I closed out my service with  
2 the Enron Corporation as Chairman and Managing  
3 Director of Enron Gas Pipeline Operations  
4 International, a position I assumed in October,  
5 1990, where I was directly involved in the  
6 construction and start-up of Enron Corporation's  
7 Teesside cogeneration project in the United  
8 Kingdom. On December 31, 1991, I took early  
9 retirement from the Enron Corporation.

10 Q. Have you also served in the industry in its trade  
11 associations?

12 A. Yes. During my career I have served as President  
13 of the Florida Natural Gas Association; a member of  
14 the Board of Directors of the Florida Chamber of  
15 Commerce (1981-1991); a member of the American Gas  
16 Association's Marketing and Technical Advisory  
17 Committees; a member and Chairman of the American  
18 Gas Association's Gas Measurement and Compressor  
19 Committees; a member of the Interstate Natural Gas  
20 Association of America's Operations and Engineering  
21 Committee; a founding member and past Chairman of  
22 the INGAA Foundation; a trustee for the Institute  
23 of Gas Technology; and as a member of the Board of  
24 Directors for the Southern Gas Association.

25 Q. Have you previously offered testimony before the

1 Florida Public Service Commission?

2 A. No, this is my first opportunity. However, I have  
3 testified a number of times in Washington, D.C.  
4 before the Federal Power Commission and its  
5 successor, the Federal Energy Regulatory Commission  
6 ("FERC"), in various proceedings including rate,  
7 curtailment and certification cases.

8 Q. What is the purpose of your testimony in this  
9 proceeding?

10 A. I will generally describe the SunShine Pipeline  
11 Project, including the system concept, the need for  
12 the project, the benefits for the natural gas  
13 consumers to be served from this system and the  
14 reasons why I believe this project is in Florida's  
15 interest. I will also discuss the adverse  
16 consequences of not proceeding with the project for  
17 the residents of Florida.

18 Q. Who owns SunShine?

19 A. SunShine is a Florida general partnership, formally  
20 named SunShine Pipeline Partners, doing business as  
21 SunShine Pipeline Company. The general partners  
22 are <sup>Coastal</sup> ANR Southern Pipeline Company (<sup>Coastal</sup> "ANR Southern"),  
23 a second tier subsidiary of The Coastal Corporation  
24 ("Coastal"), a Houston based energy conglomerate,  
25 and Power Energy Services Corporation, a special



1           purpose subsidiary of FPC, which is headquartered  
2           in St. Petersburg. I would note that subsidiaries  
3           of Coastal own and operate two major interstate gas  
4           pipeline systems with combined facilities  
5           consisting of approximately 18,800 miles of  
6           pipeline and 164 compressor stations with  
7           approximately 1,434,500 installed horsepower.

8    **Q.   Please describe SunShine.**

9           The initial SunShine facilities, which are  
10          projected to be placed in-service in early 1995  
11          will consist of approximately 502 miles of 30-inch  
12          mainline pipe and numerous lateral and branch lines  
13          necessary to serve the market. As the SunShine  
14          Pipeline is expanded to provide shippers with  
15          capacity for additional contracted volumes and  
16          additional market growth commencing in the years  
17          1998 and 1999, an additional one hundred thirteen  
18          miles of new lateral pipelines as well as five  
19          compressor stations with approximately 45,000  
20          installed horsepower ("H.P.") will be constructed  
21          and placed in-service.

22   **Q.   Can you provide a general description of the**  
23   **proposed location of SunShine Pipeline?**

24   **A.   The SunShine facilities will be located entirely**  
25   **within the State of Florida, commencing at a point**



1 in Okaloosa County and extending east and south in  
2 order to serve the initial markets in Peninsular  
3 and central Florida. The facilities that will be  
4 placed in-service by 1995 will terminate at a point  
5 in Polk County. The system expansion necessary to  
6 provide the 1998 and 1999 build-up in contracted  
7 service will extend SunShine southeast into  
8 Okeechobee County. A detailed map showing the  
9 geographic location of the SunShine Pipeline is  
10 attached as Exhibit A to SunShine's Application for  
11 a Determination of Need in this proceeding.

12 Q. What will be the system capacity of the SunShine  
13 Pipeline?

14 A. We are projecting initial system capacity to be  
15 approximately 250,000 Mcf per day. Two 10,000 H.P.  
16 compressor stations will be added in 1998, which  
17 will increase capacity to 425,000 Mcf per day. In  
18 1999, three more compressors having a combined  
19 25,000 H.P. will be placed in-service, bringing the  
20 total system capacity up to approximately 550,000  
21 Mcf per day.

22 Q. Please describe the proposed operations of the  
23 SunShine Pipeline.

24 A. The SunShine Pipeline will be an intrastate  
25 pipeline system subject to the regulatory

1 jurisdiction of the Florida Public Service  
2 Commission ("FPSC"). SunShine does not propose to  
3 engage in buying natural gas for resale; rather,  
4 its purpose will be to provide non-discriminatory  
5 transportation services at competitive rates to  
6 local distribution companies, industrial plants,  
7 electric power generation plants and cogeneration  
8 facilities within the pipeline's service area.

9 Q. Will the SunShine Pipeline be interconnected to  
10 other pipeline facilities?

11 A. Yes, it will be connected to a new interstate  
12 pipeline that will be constructed and owned by a  
13 sister company of SunShine. The overall project to  
14 provide new natural gas service to Florida  
15 contemplates the design, construction and operation  
16 of both the SunShine Pipeline and an interstate  
17 natural gas pipeline (the "SITCO Pipeline")  
18 extending from an interconnection with Chandeleur  
19 Pipeline Company at a point in Pascagoula,  
20 Mississippi eastward through Alabama and  
21 terminating at the point of interconnection with  
22 SunShine. The SITCO Pipeline will be owned by a  
23 Texas general partnership which has been formed as  
24 SunShine Interstate Pipeline Partners and will do  
25 business as SunShine Interstate Transmission

1 Company ("SITCO"). A concept map is attached to my  
2 testimony as Exhibit EJB-1 showing the location of  
3 both the SITCO and SunShine Pipelines.

4 Q. Who are the general partners of SITCO?

5 A. ANR Southern and Power Interstate Energy Services  
6 Corporation, another special purpose subsidiary of  
7 FPC, are the general partners of SITCO.

8 Q. Will the construction of SITCO require regulatory  
9 approval?

10 A. It will not as part of the application before the  
11 FPSC. The SITCO Pipeline will require federal  
12 certification by the FERC pursuant to the  
13 provisions of the Natural Gas Act ("NGA"). SITCO's  
14 application for a certificate of public convenience  
15 and necessity will be filed <sup>by the end of May</sup> ~~this month~~ with the  
16 FERC.

17 Q. Is the SITCO Pipeline expected to be the supply  
18 source for the SunShine Pipeline shippers?

19 A. The SITCO Pipeline will be the first link in the  
20 upstream transportation of the SunShine Pipeline  
21 shipper's gas and, therefore, all of the volumes  
22 reaching the SunShine Pipeline will be transported  
23 through the SITCO Pipeline. The SITCO Pipeline  
24 will be interconnected with the facilities of other  
25 pipeline companies, including Gateway Pipeline

1 Company ("Gateway"), a subsidiary of United Gas  
2 Pipe Line Company ("United"), Transcontinental Gas  
3 Pipe Line Corporation's Mobile Bay Pipeline Company  
4 and Chandeleur Pipeline Company. Through Gateway,  
5 which is connected to the major processing plants  
6 at Mobile Bay, the shippers on the SITCO and  
7 SunShine Pipelines will also have direct access to  
8 United. Mr. Ronald J. Hrehor will offer testimony  
9 in this proceeding which specifically addresses the  
10 subject of the upstream pipeline capacity into the  
11 SITCO and SunShine Pipelines as well as  
12 availability of gas supplies.

13 Q. What customers does SunShine propose to serve?

14 A. Let me put my response to this question into an  
15 historical perspective. Prior to 1985, it was not  
16 uncommon for certain regions of the country to be  
17 served almost exclusively by one interstate  
18 pipeline company. For example, other than the  
19 Peninsular and certain other portions of Northern  
20 Florida, Florida's natural gas needs have been  
21 served historically by only one natural gas  
22 transmission system, FGT. The Natural Gas Policy  
23 Act of 1978 ("NGPA") provided for decontrol of the  
24 wellhead price of gas beginning in 1985. In order  
25 to accommodate the transition to deregulation and

1 price decontrol at the wellhead, and as part of an  
2 overall industry restructuring effort, the FERC  
3 issued a series of policy orders intended to inject  
4 substantially greater competition into the natural  
5 gas industry from the wellhead to the burner tip.  
6 The elimination of minimum bills, the creation of  
7 open access transportation, the certification and  
8 construction of additional pipelines in areas  
9 previously served by a single pipeline and the  
10 unbundling of pipeline services have, in the  
11 aggregate, greatly increased competition among  
12 pipelines.

13 In response to these structural industry  
14 changes, representatives of The Coastal Corporation  
15 have met with various Florida consumers of natural  
16 gas for the past several years who have expressed  
17 interest in a second natural gas pipeline to serve  
18 Florida's needs and inject competition into the  
19 Florida natural gas transportation service market.  
20 It is those customers that the SunShine Pipeline  
21 proposes to serve.

22 Q. Would you identify SunShine's customers?

23 A. Yes. FPC has signed on for firm transportation  
24 service ("FT Service") at its Anclote Plant located  
25 in Pasco County and for its proposed new Polk

- 1 County units in 1998 and 1999. ANR Southern has  
2 negotiated Precedent Agreements with a number of  
3 other shippers that have indicated that they will  
4 be executing the Precedent Agreements in the near  
5 future. We have represented in the Application for  
6 a Determination of Need that supplemental  
7 information on the names, volumes, locations and  
8 dates of service of such additional shippers will  
9 be made available to the FPSC.
- 10 Q. Why is ANR Southern the transporter in the  
11 Precedent Agreements?
- 12 A. The negotiations leading to these agreements were  
13 undertaken by ANR Southern prior to the execution  
14 of the Florida General Partnership Agreement  
15 between ANR Southern and PESCORP. All of the  
16 Precedent Agreements, upon execution, will be  
17 assigned to SunShine Pipeline Partners which, as I  
18 mentioned previously, is doing business as SunShine  
19 Pipeline Company.
- 20 Q. Do these Precedent Agreements provide for firm  
21 obligations to tender volumes and transport them?
- 22 A. Yes, these agreements create firm obligations on  
23 both of the signatory parties.
- 24 Q. Are there any exceptions?
- 25 A. There are no exceptions to the firmness of the



1           respective obligations to tender and transport in  
2           the sense of providing some customers a lesser  
3           "best efforts" obligation. However, the agreements  
4           do contemplate that the parties will have  
5           respective rights to terminate them in the event  
6           certain conditions precedent are not either waived  
7           or satisfied by dates certain.

8       Q.    **Would you please explain what you mean by this?**

9       A.    The transporter has conditioned its obligation to  
10       provide FT Service upon ~~(1) executing precedent~~  
11       ~~agreements with enough shippers to ensure having an~~  
12       ~~aggregate daily quantity of at least 219,000 MMBtu~~  
13       ~~per day~~; (2) having final regulatory authorizations  
14       and approvals required by law; and (3) having  
15       obtained a commitment for financing SunShine on  
16       acceptable terms and conditions. These types of  
17       conditions are quite common in natural gas projects  
18       of this type and do not place unusual burdens on  
19       the agreements.

20      Q.    **Do the shippers also have rights to cancel if**  
21      **certain conditions precedent are not timely met or**  
22      **waived?**

23      A.    It varies from agreement to agreement as the  
24      parties determined what was necessary for their  
25      particular circumstance, but as a general

1 proposition, yes, the shippers have reciprocal  
2 rights.

3 Q. Will the SunShine Pipeline Project be viable with  
4 contracts providing for less volume than its  
5 proposed initial capacity?

6 A. Yes, I believe that SunShine will secure contracts  
7 with enough shippers for the threshold volumes that  
8 it needs to make the project economically feasible.  
9 However, our efforts to increase this volumetric  
10 commitment certainly will continue.

11 Q. Do you believe that you will be able to secure  
12 additional market?

13 A. I absolutely believe that SunShine will be able to  
14 secure additional market for two basic reasons.  
15 First, in my forty plus years in the gas  
16 transmission business, I have seen many new  
17 pipelines or extensions of existing lines  
18 constructed into new service areas. Inevitably,  
19 the customer response is always stronger after  
20 regulatory approval of the pipeline has been  
21 formally requested in a filing, stronger still when  
22 regulatory authority is issued and even stronger  
23 when the pipeline has been constructed and placed  
24 in service. That is why we have a greater design  
25 capacity for the SunShine Pipeline than what we

1 initially expect to have under contract. Second,  
2 the projected demographics of and need for gas-  
3 fired power generation in the State of Florida  
4 overwhelmingly support the presence of a second  
5 pipeline. This is shown through the direct  
6 testimony and exhibits of Mr. Judah J. Rose of ICF  
7 Resources Incorporated filed in this proceeding.  
8 Florida continues to be among the nation's leaders  
9 in population growth, and the corresponding need  
10 for greater electric power generation capability is  
11 obvious. That is why we are seeing or hearing  
12 about so many non-utility power generation  
13 projects, new utility power plants and power plant  
14 expansions in Florida. These projected increases  
15 in the state's population and growth in commerce  
16 will provide opportunities to serve growing  
17 industrial, commercial and residential loads. ~~I~~  
18 ~~believe that the direct testimony and exhibits of~~  
19 ~~Mr. Peter Fox-Penner of Charles River Associates to~~  
20 ~~be filed in this proceeding will further support~~  
21 ~~this proposition.~~ In summary, if the SunShine  
22 Pipeline is constructed, I am confident that it  
23 will ultimately secure contracts for its full  
24 design capacity.

25 Q. Are you asking the Commission to base its

1           **determination of need, in part, on this growth**  
2           **potential in Florida's gas markets?**

3    A.    Yes.  We believe that the FPSC should take into  
4           account both the present and the future  
5           requirements for greater natural gas transmission  
6           capacity.

7    Q.    **Will SunShine bring pipeline-to-pipeline**  
8           **competition to Florida?**

9    A.    Just the prospect of the SunShine Pipeline has  
10           brought pipeline-to-pipeline competition for  
11           natural gas service to the State of Florida.  There  
12           will be substantial long-term benefits to Florida's  
13           gas consumers from the existence of real  
14           competition between two pipelines.

15   Q.    **Can you elaborate on this point?**

16   A.    Certainly.  This is the first time in over twenty  
17           years that the State of Florida has a chance to  
18           realize the competitive benefits of a second  
19           independently owned gas transmission system.  Some  
20           of the benefits of this competition have already  
21           been manifested through the concessions that  
22           Florida gas consumers have obtained in their  
23           agreements completed during the past several months  
24           with both SunShine and FGT.  Bargaining concessions  
25           in all phases of service have enured to the benefit

1 of the respective shippers that have signed up for  
2 service on both FGT's Phase III and the SunShine  
3 Pipeline.

4 Q. Now that FGT's Phase III is fully contracted and  
5 SunShine has negotiated for the execution of  
6 contracts providing sufficient volumes to go  
7 forward with its project, have all of the benefits  
8 of competition been realized by Florida gas  
9 consumers?

10 A. Not necessarily. Most shippers realize that the  
11 greatest benefits from competition are not just the  
12 deal they make today, but rather the future deals  
13 that will be made over the long term. Customers  
14 which have signed up and will be signing up with  
15 SunShine and those that have signed up with FGT's  
16 Phase III have benefitted from the perceived  
17 existence of two pipeline systems. Shippers who  
18 contract for the remainder of SunShine's capacity  
19 will also benefit from that earlier competition.  
20 There will be ongoing competition for new loads and  
21 for interruptible service through existing  
22 capacity, as well as for the opportunity to build  
23 additional capacity.

24 Q. In the event that a determination of need for  
25 SunShine is not made by this Commission and the

1           SunShine Pipeline is not constructed, what  
2           consequences do you foresee?

3    A.   The actual benefits of having a competitive  
4           pipeline will be limited to the customers which  
5           engaged in the most recent series of negotiations  
6           conducted by FGT. In the future, those shippers  
7           wanting to transport natural gas throughout the  
8           State of Florida will find only one alternative,  
9           FGT, because it is unlikely that another attempt  
10          will be mounted to build a second pipeline. With  
11          only one pipeline alternative, gas consumers that  
12          need future service may find such service being  
13          denied, if pipeline capacity is already fully  
14          subscribed, or find such service being  
15          significantly delayed. A denial or delay of  
16          service could force gas consumers to endure  
17          unnecessary hardships such as having to rely on a  
18          less attractive energy alternative from both a cost  
19          and environmental perspective.

20   Q.   Are there any other consequences of not  
21          constructing the SunShine Pipeline?

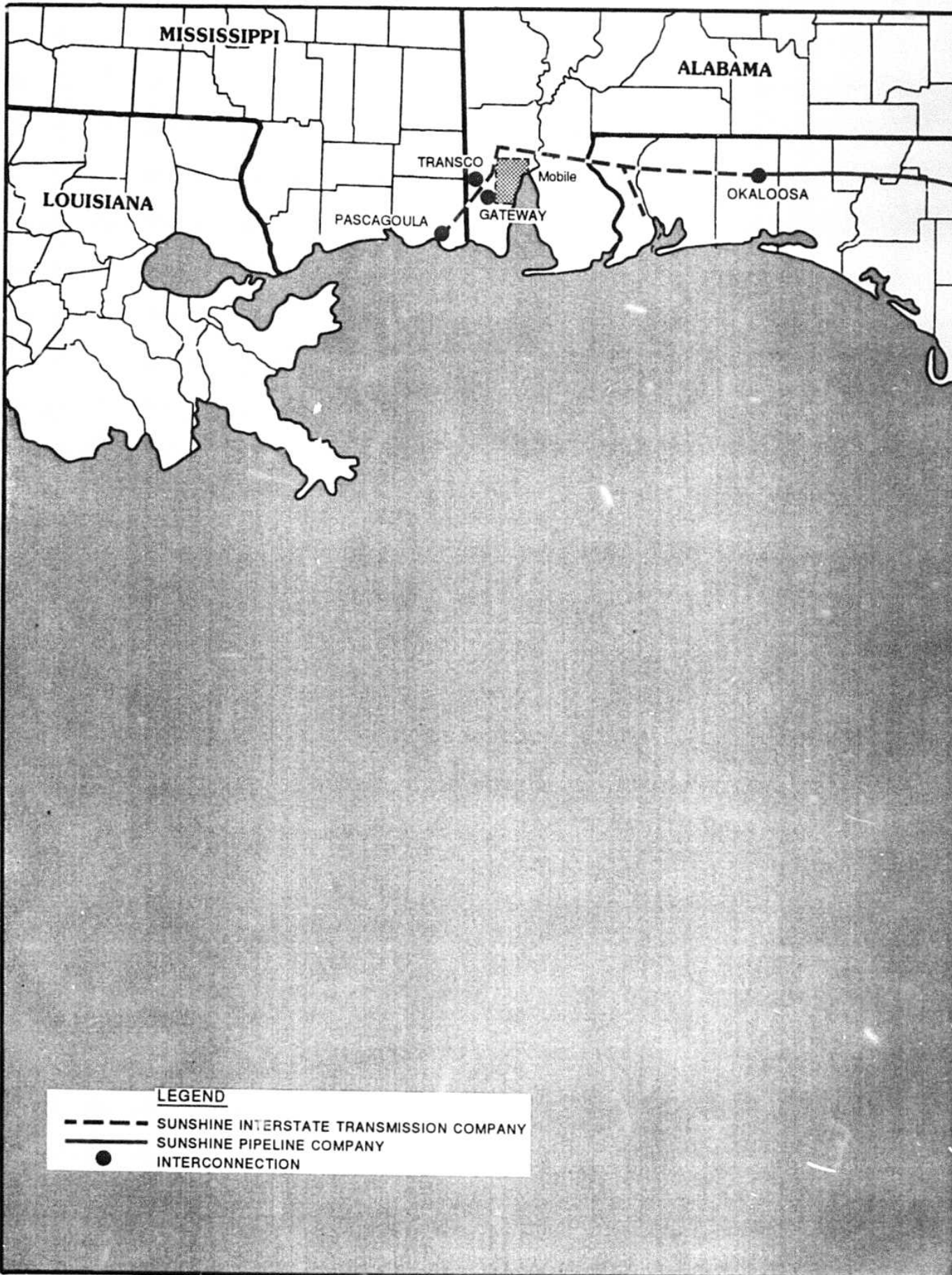
22   A.   SunShine is an approximate \$600 million project.  
23          As this amount of expenditure disseminates into the  
24          local economy, it should have a multiple effect.  
25          The construction of the SunShine Pipeline would



1 bring substantial economic benefits to the State of  
2 Florida over the short and long terms. The loss of  
3 revenues into the State of Florida necessitated by  
4 cancelling SunShine's proposed expenditures on  
5 labor and materials would quite obviously be  
6 substantial. In addition, it is contemplated that  
7 a new operating company would be established for  
8 SunShine with a permanent Florida residence. At a  
9 time when both the state and our nation most need  
10 new economic boosts and job creating opportunities,  
11 it would be very unfortunate to shut-down our plans  
12 for constructing the SunShine Pipeline.

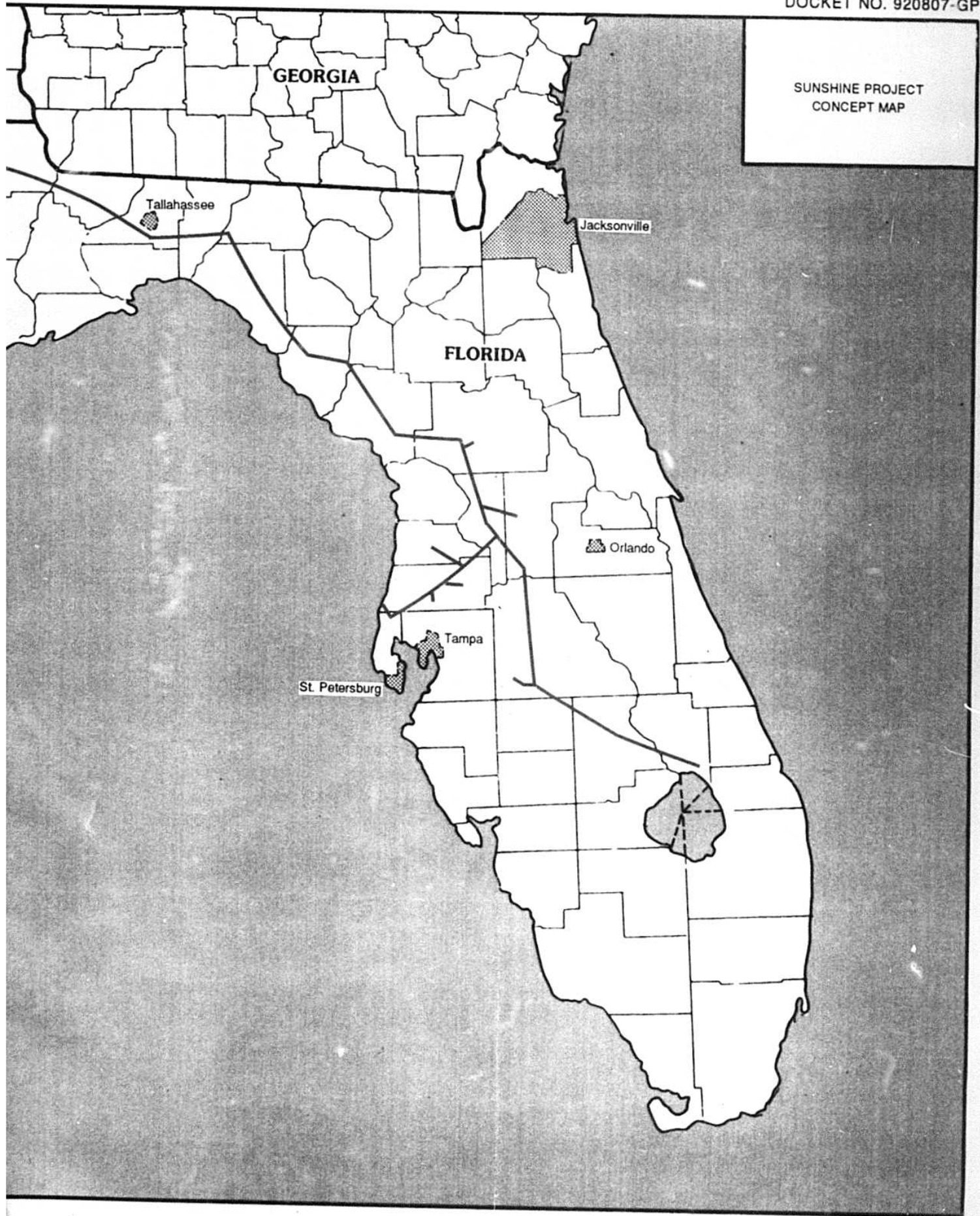
13 Q. Does this conclude your testimony?

14 A. Yes, it does.



O-M-1417G 3-2-93 (93044-JA)

SUNSHINE PROJECT  
CONCEPT MAP



GEORGIA

Tallahassee

Jacksonville

FLORIDA

Orlando

Tampa

St. Petersburg