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April 12, 1993

IN REPLY REFER TO:

Ansley Watson, Jr.  
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VIA HAND DELIVERY

Mr. Steven C. Tribble, Director  
Division of Records & Reporting  
Florida Public Service Commission  
Fletcher Building  
101 E. Gaines Street  
Tallahassee, Florida 32301

Re: Docket No. 920807-GP -- Application for Determination of  
Need for Intrastate Natural Gas Pipeline by Sunshine  
Pipeline Partners

Dear Mr. Tribble:

Enclosed for filing in the above docket on behalf of Peoples  
Gas System, Inc., please find the original and 15 copies of (1) the  
Direct Testimony of Hugh M. Grey, III, and (2) a certificate of  
service with respect to such testimony.

Please acknowledge your receipt and filing of the enclosures  
on the duplicate copy of this letter and return it to me.

Thank you for your assistance.

Sincerely,

*Ansley Watson, Jr.*  
ANSLEY WATSON, JR.

- ACK
- AFA
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All Parties of Record  
Mr. E. Elliott White

FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE  
03971 APR 12 88  
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In·Re: Application for Determination )  
of Need for Intrastate Natural Gas )  
Pipeline by Sunshine Pipeline Partners )  

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DOCKET NO. 920807-GP  
Submitted for Filing:  
4-12-93

DIRECT TESTIMONY OF HUGH M. GREY, III  
On Behalf of Peoples Gas System, Inc.

DOCUMENT NUMBER-DATE  
03971 APR 12 8  
FPSC-RECORDS/REPORTING

- 1 Q. Please state your name and business address.
- 2 A. My name is Hugh M. Grey, III. My business address  
3 is Suite 1700, 111 East Madison Street, Tampa,  
4 Florida 33602.
- 5 Q. By whom are you employed and in what capacity?
- 6 A. I am Director of Marketing Services for Peoples Gas  
7 System, Inc. ("Peoples").
- 8 Q. Please summarize your educational background and  
9 professional qualifications.
- 10 A. I graduated from Duke University in 1970 with the  
11 degree of Bachelor of Science in Engineering. I am  
12 a Registered Professional Engineer in the  
13 Commonwealth of Pennsylvania. In 1980, I was  
14 designated a Chartered Industrial Gas Consultant by  
15 the American Gas Association and the Institute of  
16 Gas Technology. I have 18 years of experience in  
17 the utility field as well as four years of  
18 engineering and energy consulting.
- 19 Q. What are your primary responsibilities in your  
20 present position with Peoples?
- 21 A. As Director of Marketing Services, I am responsible  
22 for the Company's marketing-related services,  
23 including the acquisition and transportation of  
24 Peoples' system gas supply, end-use contract  
25 negotiation and maintenance, liaison with end-use

1 transportation customers, producers and other  
2 suppliers, supply and demand forecasting and  
3 planning, and coordination of pipeline and Company  
4 gas supply operations.

5 Q. Have you previously testified in regulatory  
6 proceedings?

7 A. Yes. I have presented testimony before the Florida  
8 Public Service Commission in Docket Nos. 910003-GU,  
9 910653-GU, 911150-GU, 920003-GU and 93003-GU. I  
10 have also presented testimony before the  
11 Pennsylvania Public Utility Commission, the West  
12 Virginia Public Service Commission and the Federal  
13 Energy Regulatory Commission.

14 Q. Please briefly describe the operations of Peoples.

15 A. Peoples -- Florida's largest local distribution  
16 company -- is a public utility engaged in the  
17 distribution -- through transportation and sale --  
18 of natural gas to residential, commercial and  
19 industrial customers located in twelve separate  
20 geographic areas of the state. Peoples'  
21 headquarters is located at 111 Madison Street,  
22 Tampa, Florida. Divisional offices are located at  
23 Jacksonville, Daytona Beach, Orlando, Eustis,  
24 Lakeland, Tampa, St. Petersburg, Sarasota, Avon  
25 Park, Palm Beach Gardens, Miami and North Miami,

1 Florida.

2 Q. What is the purpose of your testimony in this  
3 docket?

4 A. The purpose of my testimony is to support, on  
5 behalf of Peoples, the application of SunShine  
6 Pipeline Partners ("SunShine" or the "applicant")  
7 for a determination of need for the intrastate  
8 natural gas pipeline (the "SunShine Line") for  
9 which Sunshine is seeking such a determination in  
10 this proceeding.

11 Q. Why does Peoples support an affirmative  
12 determination of need for the SunShine Line?

13 A. There are several reasons for Peoples' position  
14 that the SunShine Line is needed. Primarily,  
15 however, Peoples' projections of its future  
16 requirements for firm natural gas transportation  
17 capacity (and of the future requirements of its  
18 customers and potential customers) dictate that the  
19 Company acquire additional firm transportation  
20 capacity to meet those projected requirements.

21 Q. Has Peoples executed Precedent Agreements with  
22 SunShine in order to obtain such additional firm  
23 transportation capacity over the SunShine Line?

24 A. Yes. Peoples has executed two Precedent Agreements  
25 with ANR Southern Pipeline Company dated April 6,

1 1993, one covering various firm transportation  
2 services on the SunShine Line, and the other  
3 covering various corresponding firm transportation  
4 services on the proposed new interstate natural gas  
5 pipeline (the "SunShine Interstate Facilities") to  
6 be constructed and operated by SunShine Interstate  
7 Pipeline Partners ("SunShine Interstate"). These  
8 agreements will be assigned by ANR Southern to  
9 SunShine and SunShine Interstate, respectively.

10 Q. How much firm transportation capacity on the  
11 SunShine Line and the SunShine Interstate  
12 Facilities has Peoples reserved pursuant to the  
13 Precedent Agreements?

14 A. The Precedent Agreements provide for SunShine's  
15 provision to Peoples of four types of firm  
16 transportation service on the SunShine Line and the  
17 SunShine Interstate Facilities. Three of those  
18 services -- referred to in the Precedent Agreements  
19 as the "Primary FT Service", the "Flexible FT  
20 Service", and the "Summer FT Service", respectively  
21 -- are to be provided to Peoples by SunShine and  
22 SunShine Interstate commencing on the later of  
23 February 1, 1995 or the date on which the SunShine  
24 Line and the SunShine Interstate Facilities are  
25 capable of transporting the quantities of gas for

1 which Peoples has reserved capacity on a firm daily  
2 basis. The other service -- covering firm  
3 transportation service for 25,000 MMBtu of gas per  
4 day on a year-round basis (in addition to the firm  
5 service covered by the Primary FT Service and the  
6 Flexible FT Service) -- would commence on January  
7 1, 1997.

8 Q. Please describe the Primary FT Service.

9 A. The Primary FT Service would consist of firm  
10 transportation service for a maximum daily quantity  
11 ("MDQ") of 25,000 MMBtu on a year-round basis to  
12 Peoples' distribution systems located in Hernando,  
13 Pasco and Polk Counties, Florida. As previously  
14 indicated, this service would commence on the  
15 initial in-service date of the new facilities to be  
16 constructed by SunShine and SunShine Interstate.  
17 This service would be for an initial term of 25  
18 years from the date on which it commences, with  
19 Peoples having the option to extend the agreement  
20 for service, at the then applicable maximum lawful  
21 rate, for one or more secondary terms of 10 years  
22 following the end of the initial 25-year term. The  
23 maximum rate for this service for the first year  
24 (as well as any increases in such rate) is fixed by  
25 a formula set forth in the Precedent Agreements,

1 and the overall maximum rate is "capped" for the  
2 first 20 years that the service is provided.

3 Q. Please describe the Flexible FT Service.

4 A. The Flexible FT Service would consist of firm  
5 transportation service for an MDQ of 12,500 MMBtu  
6 on a year-round basis to Peoples' distribution  
7 systems located in Hernando, Pasco and Polk  
8 Counties, Florida. This service would be in  
9 addition to the Primary FT Service. As previously  
10 indicated, this service would also commence on the  
11 initial in-service date of the new facilities to be  
12 constructed by SunShine and SunShine Interstate.  
13 This firm service would provide Peoples with  
14 delivery flexibility such that:

- 15 (1) Peoples would be permitted to tender to  
16 SunShine and SunShine Interstate, on a  
17 daily basis during the months of October,  
18 November, December, January, February,  
19 March and April (the "Winter Season"),  
20 amounts of natural gas of between zero  
21 MMBtu and 25,000 MMBtu so long as the  
22 aggregate of such daily tenders during  
23 the Winter Season does not exceed the  
24 product of 12,500 MMBtu and the number of  
25 days in the Winter Season (the "Winter



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Contract Quantity"); and

(2) if Peoples has, during the Winter Season, tendered to SunShine and SunShine Interstate less than the Winter Contract Quantity, SunShine and SunShine Interstate have agreed to accept tenders by Peoples for firm transportation service of the balance of the Winter Contract Quantity and credit against the rate applicable to such firm service the rate paid by Peoples on account of the unused Winter Contract Quantity:

(a) during the month of May (in addition to tenders by Peoples of not less than 50,000 MMBtu per day prior to January 1, 1997, and not less than 75,000 MMBtu per day thereafter), on a pro rata basis with tenders by other shippers for interruptible transportation service, and

(b) during the months of June, July, August and September (in addition to tenders by Peoples of not less than 50,000 MMBtu per day prior to January 1, 1997, and not less than

1 75,000 MMBtu per day thereafter), to  
2 the extent capacity sufficient to  
3 accommodate the transportation of  
4 such additional tenders is available  
5 on the SunShine Line and the  
6 SunShine Interstate Facilities.

7 This service would be for an initial term of  
8 25 years from the date on which it commences, with  
9 Peoples having the option to extend the agreement  
10 for service, at the then applicable maximum lawful  
11 rate, for one or more secondary terms of 10 years  
12 following the end of the initial 25-year term.  
13 Under certain circumstances, SunShine and SunShine  
14 Interstate would have the right to require Peoples  
15 to convert both the Flexible FT Service and the  
16 Summer FT Service to Primary FT Service (at the  
17 same MDQ levels as the Flexible FT Service and the  
18 Summer Ft Service, respectively). The maximum rate  
19 for this service for the first year (as well as any  
20 increases in such rate) is fixed by a formula set  
21 forth in the Precedent Agreements, and the overall  
22 maximum rate is "capped" for the first 20 years  
23 that the service is provided.

24 Q. Please describe the Summer FT Service.

25 A. The Summer FT Service would consist of firm

1 transportation service for an MDQ of 12,500 MMBtu  
2 during the months of May, June, July, August and  
3 September to Peoples' distribution systems located  
4 in Hernando, Pasco and Polk Counties, Florida.  
5 This service would be in addition to the Primary FT  
6 Service and the Flexible FT Service. As previously  
7 indicated, this service would commence on the  
8 initial in-service date of the new facilities to be  
9 constructed by SunShine and SunShine Interstate,  
10 but would be for an initial term of 10 years from  
11 the date on which it commences, and from year to  
12 year thereafter, with SunShine and SunShine  
13 Interstate having the option to terminate on one  
14 year's notice. In the event of such termination,  
15 however, Peoples would be entitled to convert to  
16 Primary FT Service, as previously mentioned. The  
17 maximum rate for this service for the first year  
18 (as well as any increases in such rate) is fixed by  
19 a formula set forth in the Precedent Agreements,  
20 and the overall maximum rate is "capped" for the  
21 first 20 years that the service is provided.

22 Q. Do the provisions of the Precedent Agreements with  
23 respect to term of service, extension of the term,  
24 and rates also apply to the firm transportation  
25 service for which Peoples has subscribed commencing

1 on January 1, 1997?

2 A. Yes. Those terms would be the same as those  
3 applicable to the Primary FT Service.

4 Q. From what pipelines does Peoples presently receive  
5 firm transportation service?

6 A. Peoples has been a customer of Florida Gas  
7 Transmission Company ("FGT") since the initial in-  
8 service date of FGT's facilities serving the State  
9 of Florida, and participated in FGT's Phase II  
10 expansion of those facilities. FGT is the primary  
11 pipeline supplier and transporter for Peoples'  
12 distribution systems, and Peoples is FGT's second  
13 largest customer. Presently, Peoples' various  
14 agreements with FGT include firm transportation or  
15 purchase rights for aggregate MDTQs and MDCQs of  
16 180,395 MMBtu per day during FGT's summer season,  
17 245,317 MMBtu per day during its fall season,  
18 275,197 MMBtu per day during its winter season, and  
19 275,551 MMBtu per day during its spring season.

20 In addition, since 1990, Peoples has received  
21 transportation service to its distribution system  
22 in the Jacksonville market from South Georgia  
23 Natural Gas Company (which receives upstream  
24 deliveries from Southern Natural Gas Company, with  
25 which Peoples also has transportation agreements).

1 Peoples' agreements with South Georgia and Southern  
2 cover firm transportation of 10,000 MMBtu per day,  
3 as well as available quantities of interruptible  
4 transportation. Peoples has executed agreements  
5 with both Southern and South Georgia for the firm  
6 transportation of an additional 25,000 MMBtu per  
7 day commencing on the in-service date of a  
8 facilities expansion in which South Georgia is  
9 currently engaged.

10 Q. Why did Peoples elect to meet its projected future  
11 needs for additional firm transportation capacity  
12 through SunShine and SunShine Interstate, rather  
13 than through FGT?

14 A. Primarily because of Peoples desire to ensure the  
15 future availability of a choice of pipelines from  
16 which to receive deliveries of natural gas to its  
17 distribution systems in the areas to which SunShine  
18 will initially provide service, and into which  
19 SunShine proposes to ultimately provide service.  
20 In addition, SunShine was willing to provide  
21 seasonal flexibility enabling Peoples to obtain  
22 more capacity during the summer months, which  
23 Peoples has been unable to obtain on a firm basis  
24 from FGT. Further, SunShine has agreed to "cap"  
25 the rate payable for firm service for a period of

1 20 years, thereby enabling Peoples to know what its  
2 commitment entails in terms of future liability for  
3 demand charges. Finally, Peoples anticipates that  
4 firm service from SunShine and SunShine Interstate  
5 will provide Peoples and its customers with more  
6 direct access to additional sources of gas supplies  
7 than would be available from FGT alone, again  
8 increasing Peoples' available options to acquire  
9 the best possible packages of gas for its system in  
10 terms of price and reliable delivery. FGT will, of  
11 course, continue to be Peoples' primary supplier of  
12 firm transportation. Peoples is also, of course,  
13 unable to determine at this time whether its system  
14 requirements beyond the end of this century would  
15 best be served by FGT or SunShine/SunShine  
16 Interstate. If the SunShine Line and the SunShine  
17 Interstate Facilities are not constructed and  
18 operated as presently proposed, however, Peoples'  
19 only option for fulfilling its future requirements  
20 for firm transportation service will continue to be  
21 FGT. It is for these same reasons that Peoples  
22 urges the Commission to determine that there is a  
23 need, as contemplated by the Natural Gas  
24 Transmission Pipeline Siting Act, for SunShine to  
25 construct and operate the SunShine Line.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.