

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: April 12, 1993

PREHEARING STATEMENT BY SUNSHINE PIPELINE PARTNERS

COMES NOW, SunShine Pipeline Partners ("SunShine"), pursuant to Rule 25-22.038, Florida Administrative Code, and the Order Establishing Procedure (Order No. PSC-93-0406-PCO-GP), and respectfully submits its Prehearing Statement in the above-captioned docket to the Florida Public Service Commission ("Commission").

A. APPEARANCES

Peter M. Dunbar, Esq.
Bram D. E. Canter, Esq.
David L. Swafford, Class B Practitioner
Haben, Culpepper, Dunbar & French, P.A.
Post Office Box 10095
Tallahassee, Florida 32302

James P. Sale, Esq.
ANR Southern Pipeline Company
Nine Greenway Plaza
Houston, Texas 77046

Daniel F. Collins, Esq.
Richard W. Miller, Esq.
ANR Southern Pipeline Company
2000 M Street N.W., Suite 300
Washington, D.C. 20036

Michael R. Waller, Esq.
LeBoeuf, Lamb, Leiby & MaRae
1875 Connecticut Avenue NW
Washington, DC 20009-5728

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
E. J. Burgin	Overall project plan, demand for natural gas; benefits of competition; precedent agreements and letters of intent from prospective customers.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 16, 19, 20, 21 & 23
John P. Lucido	Pipeline construction, operation, and maintenance; pipeline safety.	14, 15, 16, 17, 18, 22 & 23
Ronald J. Hrehor	Upstream pipeline connections and capacity; industry practices.	3, 7, 8, 9, 22 & 23
Judah L. Rose	Forecast of natural gas demand by electric power industry in Florida.	1, 2, 3, 4, 5, 6, 12, 13 & 23

Rebuttal witnesses have not yet been determined.

C. EXHIBITS

<u>Witness</u>	<u>Number</u>	<u>Description</u>
E. J. Burgin	EJB-1	SunShine Project Concept Map
	EJB-2	Precedent Agreement with FPC/SunShine Pipeline
	EJB-3	Precedent Agreement with FPC/SITCO Pipeline
	EJB-4	Letter of Intent from the City of Lakeland
	EJB-5	Letter of Intent from the City of Leesburg

	EJB-6	Precedent Agreement with Peoples Gas/SunShine Pipeline
	EJB-7	Precedent Agreement with Peoples Gas/SITCO Pipeline
Ronald J. Hrehor	RJH-1	United Gas Pipeline Co. Systems Map
	RJH-2	Lower 48 Reserves
	RJH-3	Lower 48 Annual Production
	RJH-4	Mobile Bay Area Production
John P. Lucido	JPL-1	Geographical Location of Proposed Facilities
	JPL-2	Dimension Program
	JPL-3	1995 Study/Proposed Operation
	JPL-4	1998 Study/Proposed Operation
	JPL-5	1999 Study/Proposed Operation
Judah L. Rose	JLR-A	Florida Generation Requirements in 2000 and 2010
	JLR-B	Florida Utility Capacity Expansion Plans by Fuel Type: 1992 to 2000
	JLR-C	Costs of New Powerplant Options - 75% Capacity Factor

JLR-D	Range of Natural Gas Price Forecasts for 2010 - U.S. Average Wellhead Prices
JLR-E	Busbar Costs of Options - 10% and 25% Capacity Factor
JLR-F	The Impact of Plant Utilization on Total Plant Costs
JLR-G	Florida Pipeline Requirements - 2000 and 2010
JLR-H	Natural Gas Competition at New Powerplants - Market Segmentation
JLR-I	Oil Versus Gas in 2000 at Existing O/G Powerplant
JLR-J	Electricity Sales Growth Scenarios

D. STATEMENT OF BASIC POSITION

The proposed SunShine Pipeline will initially consist of approximately 502 miles of mainline and laterals having a transmission capacity of 250,000 Mcf per day. There is no existing pipeline capacity available to serve the residential, commercial, industrial, and powerplant requirements along the proposed route of the SunShine Pipeline. The proposed Pipeline will improve and maintain natural gas delivery reliability and integrity in Florida.

There exists sufficient divertible supplies of natural gas to meet the expected needs of SunShine's customers, and SunShine has identified sufficient need among potential customers to warrant

construction of the proposed Pipeline. The proposed SunShine pipeline will meet or exceed the existing state and federal regulations which have been developed to assure a reasonable level of safety for the public in the transmission of natural gas. SunShine has the requisite experience in pipeline construction to complete the pipeline and related facilities at a reasonable cost. The proposed pipeline is a substantial and well-capitalized project and SunShine is capable of obtaining the necessary financing for completion of the pipeline.

Based upon its application and the evidence that it has presented, SunShine has demonstrated the requisite need under the criteria of Section 403.9422, Florida Statutes, for the construction and operation of intrastate natural gas pipeline system as proposed.

E. ISSUES OF FACT, LAW AND POLICY

SunShine recognizes and acknowledges that twenty-three (23) issues of law and policy have been identified and will be addressed by the Commission in this docket. Each is incorporated in this Prehearing Statement by reference, and is believed by SunShine to be at issue.

Need for Natural Gas System Reliability

ISSUE 1: Is SunShine's forecast of future transmission capacity requirements reasonable for planning purposes?

SunShine's Position:

Yes. The forecast for future transmission capacity requirements tracks contracted firm transportation volume as well as future requirements. The scheduled facility build-up is based on conservative estimates of future growth in demand for natural gas by the electrical power

industry in Florida. These estimates are supported by expert analyses of population and other growth trends as well as the need by Florida's electric power generation utilities to replace existing power generation facilities in the future. The forecast is made even more conservative since the increased future demand for natural gas from non-electric power generation sectors has not been taken into account.

ISSUE 2: Has Sunshine Pipeline provided adequate support to justify a need for 250,000 Mcf per day in 1995, 425,000 Mcf per day in 1998, and 550,000 Mcf per day in 1999?

Sunshine's Position:

Yes. Based on the executed precedent agreements and letters of intent that Sunshine has obtained from prospective shipper customers, as well as the forecast for future natural gas demand of the electrical power generation industry, Sunshine has adequately supported the transmission capacity that Sunshine seeks to certify.

ISSUE 3: Is the proposed pipeline needed to improve or maintain natural gas delivery reliability and integrity within Florida?

Sunshine's Position:

Yes. The presence of two natural gas pipeline systems will increase the reliability and integrity of natural gas deliverability into the State of Florida in the event of facility or supply failure on one system, and through increasing transmission capacity and greater access to natural gas supplies.

ISSUE 4: Are there any adverse consequences to Sunshine and its customers if the petition is denied or if construction is delayed?

Sunshine's Position:

Yes. The benefits of gas-on-gas competition, as well as the other incremental natural gas service, will be lost or seriously impaired if Sunshine's application is denied or if construction is delayed. Because less natural gas transmission capacity would be available, the potential displacement of other less environmentally acceptable fuels by natural gas also would be lost. Furthermore, because the unique timing and circumstances that create the present opportunity to construct another natural gas pipeline in Florida may not reoccur, the advantages of having a competitive natural gas market may never be

realized if SunShine is not approved. Finally, delay in authorization may increase the cost of constructing the SunShine project.

ISSUE 5: Is the timing of SunShine's petition to determine the need for its proposed pipeline appropriate?

SunShine's Position:

Yes. Based upon the executed Precedent Agreements and Letters of Intent, the forecast of future natural gas demand, the need for additional gas transmission capacity and the need for shippers of natural gas to plan for supplying their future requirements now, the timing of SunShine's proposed pipeline is appropriate.

ISSUE 6: Is the fuel price forecast used by SunShine reasonable for planning purposes?

SunShine's Position:

Yes. The forecast was prepared by an expert consultant using the best information and data available on fuel pricing.

ISSUE 7: Do there exist sufficient divertible supplies of natural gas to meet the expected needs of SunShine's customers?

SunShine's Position:

Yes. There are abundant supplies of natural gas throughout the producing basins in the U.S. that can be delivered into the SunShine system in order to meet the expected needs of SunShine's customers.

ISSUE 8: Does sufficient capacity exist on pipeline upstream from SunShine to assure natural gas supply can be transported to SunShine sufficient to meet its design capabilities.

SunShine's Position:

Yes. There is sufficient existing capacity on upstream pipelines and the open access policy and supporting regulations of the Federal Energy Regulatory Commission (FERC) provide the convenient means for the customers of SunShine to obtain access to that capacity to meet their needs.

ISSUE 9: Will sufficient capacity exist on pipeline upstream from SunShine to assure natural gas supply can be transported to SunShine at the expected in-service date?

SunShine's Position:

Yes, the necessary upstream pipeline capacity is already available today and can be expected to be available at SunShine's in-service date.

ISSUE 10: Do existing pipeline in Florida have sufficient excess capacity to fulfill the forecasted need for transmission capacity?

SunShine's Position:

No. The capacity in existing pipelines in Florida has been fully subscribed and is, therefore, not capable of serving the increased demand that SunShine proposes to serve.

Forecasted Demand

ISSUE 11: Has SunShine acquired sufficient commitments for transmission capacity to warrant construction of the pipeline?

SunShine's Position:

Yes. The executed Precedent Agreements and Letters of Intent that SunShine has already obtained provide sufficient commitments to warrant construction of the project.

ISSUE 12: Is SunShine's forecast of growth in demand for gas capacity to serve existing and proposed electric utility powerplants reasonable?

SunShine's Position:

Yes. SunShine's forecast is based upon expert testimony supported by data regarding future expansions and conversions of existing electric power plants and construction of new power plants. The forecast is consistent with the analyses that have been conducted by Florida's electric utilities.

ISSUE 13: Are approved capacity additions to existing pipeline sufficient to satisfy the growth in demand for natural gas forecasted by SunShine?

SunShine's Position:

No. Florida Gas Transmission Company's (FGT) Phase III expansion has not yet received all necessary regulatory approvals from the FERC. Further, even if FGT's Phase

III expansion does receive the necessary approval, and is placed into service, the capacity is already fully subscribed and thus will not be available to meet the current shipper demand for increased natural gas transmission capacity. FGT's Phase III expansion project and the SunShine Pipeline, together, may not satisfy the projected growth in the demand for natural gas through the year 2000.

Safety

ISSUE 14: Do the proposed design, operation and maintenance procedures of SunShine's natural gas pipeline provide a prudent and reasonable level of safety for the public?

SunShine's Position:

Yes. The SunShine Pipeline will meet or exceed the existing state and federal regulations which have been developed to assure a reasonable level of safety for the public. In addition, ANR Pipeline Company's safety record for its existing pipelines exceeds the industry average.

Reasonable Cost

ISSUE 15: Has SunShine provided sufficient information on the route, planned alternative routes, planned location of compressor stations, and, other affiliated facilities to evaluate whether the need exists for its proposed pipeline?

SunShine's Position:

Yes. Details of the route, planned alternative routes, compressor stations, and other affiliated facilities, sufficient to evaluate the need for SunShine's proposed pipeline have been provided to the Commission.

ISSUE 16: Are the commencement and terminus of SunShine's proposed facilities appropriate to serve the need identified in Issue 2?

SunShine's Position:

Yes. The origin and terminus of the SunShine Pipeline are reasonably located to access upstream pipelines and available gas supplies and to serve the current need and anticipated future demand of its customers.

ISSUE 17: Has SunShine selected an appropriate pipeline diameter and configuration for the project?

SunShine's Position:

Yes. The pipeline diameter and configuration were selected employing sound engineering principles and the design of the pipeline is configured to meet the current need and anticipated future demand for natural gas at the lowest reasonable cost.

ISSUE 18: Are SunShine's construction cost estimates reasonable for planning purposes?

SunShine's Position:

Yes. SunShine's cost estimates are based ANR Pipeline Company's experience in pipeline construction and on detailed pricing of every aspect and component of the project.

ISSUE 19: Can the necessary financing for the SunShine intrastate pipeline project be acquired by the partnership?

SunShine's Position:

Yes. The SunShine Pipeline Project will be project financed on a non-recourse to general partners basis. The general partners of the SunShine Pipeline Partners are substantial, well capitalized corporations capable of obtaining necessary financing.

ISSUE 20: Can the necessary financing for the SunShine intrastate pipeline project be acquired without the participation of Florida Power Corporation as an investor?

SunShine's Position:

Yes. It is anticipated that the pipeline will be project financed, therefore, financing will be dependent upon commitments by SunShine's customers and not upon FPC's participation as an investor. If FPC were to withdraw as an equity participant, or recourse financing would be required, other substantial investors which have already expressed an interest in joining the general partnership may enter into the partnership to ensure the necessary financing.

Competition

ISSUE 21: Would the citizens of the state of Florida benefit from the existence of competing pipelines?

SunShine's Position:

Yes. As a result of competition, Citizens of Florida can expect to pay lower rates for both natural gas and electric power. Also, competing pipelines will bring Florida shippers greater access to natural gas supplies, which should enable natural gas to be used as an alternative to other, less clean fuels. Consequently, the citizens of Florida will realize substantial environmental benefits.

Miscellaneous

ISSUE 22: What associated facilities are required in conjunction with the SunShine Pipeline project?

SunShine's Position:

A new, federally certificated interstate natural gas transmission system called SunShine Interstate Transmission System will be constructed and placed in service in conjunction with the SunShine Pipeline Project.

Final Vote

ISSUE 23: Based on the resolution of the previous factual and legal issues, should SunShine's petition for determination of need for a natural gas mainline and laterals as shown in Exhibit JPL-1 be approved?

SunShine's Position:

SunShine's application for a determination of need should be granted by the Commission.

F. PENDING MOTIONS AND OTHER MATTERS

SunShine has filed a Motion for Protective Order of certain documents and at a hearing before the Prehearing Officer on March 29, 1993, the parties resolved the dispute without the necessity of a ruling by the Prehearing Officer.

SunShine intends to file a request seeking confidential treatment of certain documents, but believes that the parties may reach a joint stipulation with regard to said request for confidential classification and treatment.

There are no matters set forth in Order No. PSC-93-0406-PCO-GP with which SunShine cannot comply.

RESPECTFULLY SUBMITTED this 12th day of April, 1993.

HABEN, CULPEPPER, DUNBAR
& FRENCH, P.A.
Post Office Box 10095
Gallahassee, Florida 32302
(904) 222-3533

BY: *Peter M. Dunbar*
PETER M. DUNBAR

CERTIFICATE OF SERVICE
DOCKET NO. 920807-GP

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by U.S. Mail or hand delivery(*) on this 14th day of April, 1993, to the following parties of record:

*William L. Hyde, Esq.
Peeples, Earl & Blank, P.A.
215 South Monroe Street
Suite 350
Tallahassee, FL 32301

Mr. James P. Fama
Florida Power Corporation
Post Office Box 14042
3201 34th Street South
St. Petersburg, FL 33733

*Martha Carter Brown
Florida Public Service Comm.
101 East Gaines Street
Tallahassee, FL 32399-0863

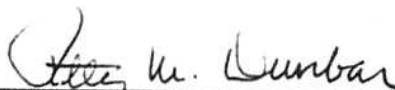
Gary C. Smallridge
Assistant General Counsel
Department of
Environmental Regulation
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Wayne L. Schiefelbein
Gatlin, Woods, Carlson
& Cowdery
1709-D Mahan Drive
Tallahassee, FL 32308

Anthony V. Policastro
Assistant County Attorney
Pasco County
Room 203, 7530 Little Road
New Port Richey, FL 34654

Samuel P. Steffey, II
Growth Management Administrator
Pasco County Sterling Center
7432 Little Road
New Port Richey, FL 34654

Barrett G. Johnson
Rebecca S. Conlan
315 S. Calhoun Street
750 Barnett Bank Bldg.
Tallahassee, FL 32301



PETER M. DUNBAR