BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Pursuant to Notice, a Prehearing Conference was held on May 3, 1993, in Tallahassee, Florida, before Commissioner Susan F. Clark, as Prehearing Officer.

APPEARANCES:

PETER M. DUNBAR, Esquire, BRAM D.E. CANTER, Esquire, and DAVID L. SWAFFORD, Class B Practitioner, Haben, Culpepper, Dunbar & French, P.A., Post Office Box 10095. Tallahassee, Florida 32302 AND

JAMES P. SALE, Esquire and MARGARET BOLLINGER, Esquire, ANR Southern Pipeline Company, Nine Greenway Plaza, Houston, Texas 77046 AND

DANIEL F. COLLINS, Esquire and RICHARD W. MILLER, Esquire, ANR Southern Pipeline Company, 2000 M Street N.W., Suite 300, Washington, D.C. 20036 AND

MICHAEL R. WALLER, Esquire, LeBoeuf, Lamb, Leiby & MaRae, 1875 Connecticut Avenue N.W., Washington, DC 20009-5728 On behalf of SunShine Pipeline Partners.

WILLIAM L. HYDE, Esquire, Peeples, Earl & Blank, P.A., 215 South Monroe Street, Suite 350, Tallahassee, Florida 32301

On behalf of Florida Gas Transmission Company.

JAMES P. FAMA, Esquire, 3201 34th Street, South, St. Petersburg, Florida 33711
On behalf of Florida Power Corporation.

ANSLEY WATSON, JR., Esquire, MacFarlane Ferguson, Post Office Box 1531, Tampa, Florida 33601
On behalf of Peoples Gas System, Inc.

GARY C. SMALLRIDGE, Esquire, State of Florida, Twin Towers Office Building, 2600 Blairstone Road, Tallahassee, Florida 32399-2400
On behalf of the Department of Environmental Protection.

ווינים התבטטונטטיות ווינים התבי שווינים

WAYNE L. SCHIEFELBEIN, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308 On behalf of Chesapeake Utilities Corporation.

ANTHONY V. POLICASTRO, Assistant County Attorney, 7530 Little Road, Room 203, New Port Richey, Florida 34654 On behalf of the Board of Pasco County Commissioners.

BARRETT G. JOHNSON, Esquire and REBECCA S. CONLAN, Esquire, 315 South Calhoun Street, 750 Barnett Bank Building, Tallahassee, Florida 32301 On behalf of Florida Cities.

C. EVERETT BOYD, JR., Esquire, Ervin, Varn, Jacobs, Odom, Ervin, Post Office Drawer 1170, Tallahassee, Florida 32302

On behalf of South Georgia Natural Gas Company.

JAMES D. BEASLEY, Esquire, Ausley, McMullen, McGehee, Carothers & Proctor, Post Office Box 391, Tallahassee, Florida 32302
On behalf of City Gas Company of Florida.

KENNETH L. WARNSTADT, Esquire, 20 North Main Street, Room 462, Brooksville, Florida 34601 On behalf of Hernando County, Florida.

DAVID S. SADOWSKY, Esquire, Pinellas County Attorney's Office, 315 Court Street, Clearwater, Florida 34616 On behalf of Pinellas County, Florida.

MICHAEL A. SKELTON, Esquire and EDWARD P. DE LA PARTE, JR., Esquire, de la Parte & Gilbert, P.A., One Tampa City Center, Suite 2300, Post Office Box 172537, Tampa, Florida 33672-0537

On behalf of West Coast Regional Water Supply Authority.

MARTHA CARTER BROWN, Esquire, and MICHAEL ANGUIANO, Esquires, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0863 On behalf of the Commission Staff.

PREHEARING ORDER

I. CASE BACKGROUND

Sunshine Pipeline Partners have filed an application with the Commission to determine the need for an intrastate natural gas pipeline in the state. The Commission will hold an administrative hearing in the case on May 10-11, 1993. The scope of the proceeding will be based upon the issues raised by the parties and the Commission staff up to and during the prehearing conference, unless modified by the Commission. The procedural aspects of the case will be governed by Chapter 120, Florida Statutes and Chapter 25-22, Florida Administrative Code. The substantive aspects of the case will be governed by Chapter 368, Florida Statutes and Section 403.9422, Florida Statutes.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

- A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 368.108(4), Florida Statutes.
- B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 368.108, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 368.108, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

Post-hearing Procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, must be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing

position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

III. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes Upon insertion of a witness' testimony, exhibits the stand. appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and crossexamine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

IV. ORDER OF WITNESSES

Witness	Appearing For	_Issues #
DIRECT E. J. Burgin	SUNSHINE	1,2,3,4,5,6,7,8, 9,10,11,12,13,14 15,16,17,18,19, 20,21,22,

Witness	Appearing For	Issues #
John P. Lucido	SUNSHINE	3,13,14,15,16, 17,21,22
Ronald J. Hrehor	SUNSHINE	3,7,8,9,21,22
Judah L. Rose	SUNSHINE	1,2,3,4,5,6,7,8,9 10,11,12,15,20,22
James Pollard	FPC	2,4,5,21,23
H. M. Grey, III	PEOPLES	2,3,4,5,7,8,9,10, 13,16,20,22
Eric Major	STAFF	Update on FPC's Polk County Units
DIRECT AND REBUTTAL Dr. Paul R. Carpenter	FGT	
REBUTTAL James Pollard	FPC	2,4,5,21
Judah L. Rose	SUNSHINE	1,2,3,4,5,6,7,8,9 10,12,13,15,20,22
Allan Bradley	SUNSHINE	4,5,6,11,17,18,19, 20,22

V. BASIC POSITIONS

SUNSHINE PIPELINE PARTNERS (SUNSHINE): 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 power plant 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.

FLORIDA GAS TRANSMISSION COMPANY (FGT): It is the position of FGT that the application for a determination of need for an intrastate natural gas pipeline by SunShine Pipeline Partners should be denied or, if granted, that PSC's Order be subject to such terms and conditions as are generally just and appropriate under the circumstances and specifically preclude and prevent the proposed SunShine Pipeline from obtaining any direct or indirect subsidization through FPC's equity position with the SunShine Pipeline.

FLORIDA POWER CORPORATION (FPC): FPC's commitment to purchase natural gas transportation from the SunShine Pipeline is the foundation for the determination of need that should be rendered by the Commission in this case. A competitive pipeline would benefit FPC and its ratepayers.

PEOPLES GAS SYSTEM, INC. (PEOPLES): Additional transmission pipeline transportation capacity which can be provided by SunShine is required by Peoples to assure Peoples' continued ability to meet its market commitments and to allow for expected growth in such markets. There is no existing pipeline capacity available to serve the additional requirements which Peoples anticipates serving through the SunShine pipeline. The proposed pipeline will improve and maintain natural gas delivery reliability and integrity in the Florida markets now served and expected to be served in the future by Peoples. The citizens of the State of Florida, including customers of Peoples, will benefit from the existence of competing pipelines.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP): No position at this time.

CHESAPEAKE UTILITIES CORPORATION (CHESAPEAKE): CUC supports the application for intrastate natural gas pipeline by SunShine Pipeline Partners. We believe that the competition resulting from two natural gas pipelines within the State of Florida will result in lower natural gas costs for our customers. Furthermore, the addition of another pipeline will increase our supply alternatives. Finally, the implementation date of this project coincides with our projected need for additional capacity.

CUC intends to sign a precedent agreement with both SunShine Pipeline Partners and SunShine Interstate Pipeline Partners, providing for natural gas transportation service to our Florida distribution facilities. The contract provides for CUC to receive firm transportation service of 1000 MMBTU per day for a term of 25 years and an aggregate rate cap of 84 cents per MMBTU for the first 20 years.

BOARD OF PASCO COUNTY COMMISSIONERS (PASCO): No position.

FLORIDA CITIES (FC): A competitive pipeline offers potential benefits to Florida Cities and their customers. Accordingly, Florida Cities favors certification upon appropriate terms and conditions.

SOUTH GEORGIA NATURAL GAS COMPANY (SOUTH GEORGIA): No position at this time.

CITY GAS COMPANY OF FLORIDA (CITY GAS): No position.

HERNANDO COUNTY, FLORIDA (HERNANDO): No position.

PINELLAS COUNTY, FLORIDA (PINELLAS): SunShine has not provided sufficient information to demonstrate the reliability, safety, and integrity of its design, not provided sufficient information to demonstrate that the proposed natural gas pipeline provide a prudent and reasonable level of safety for the public. There is a need to determine the design, operation, and maintenance procedures to be utilized by SunShine relating to co-location of its pipeline with other utility lines, including, but not limited to, water transmission lines which contain ferrous material. There is a need for the Commission to determine whether SunShine's proposed pipeline design, operation, and maintenance will provide the public

with the necessary safety, reliability, and integrity to avoid subjecting the public to major mishaps.

WEST COAST REGIONAL WATER SUPPLY AUTHORITY (WEST COAST): Sunshine has not provided sufficient information to demonstrate the reliability, safety, and integrity of its design, operation, and maintenance of its proposed pipeline. Sunshine has not provided sufficient information to demonstrate that the proposed design, operation, and maintenance procedures of its proposed natural gas pipeline provide a prudent and reasonable level of safety for the public. There is a need to determine the design, operation, and maintenance procedures to be utilized by Sunshine relating to colocation of its pipeline with other utility lines, including, but not limited to, water transmission lines which contain ferrous material. There is a need for the Commission to determine whether Sunshine's proposed pipeline design, operation, and maintenance will provide the public with the necessary safety, reliability, and integrity to avoid subjecting the public to major mishaps.

STAFF: No position at this time. Where the Staff has taken a position on the issues below before the hearing in this case, those positions are preliminary. They are based on materials filed by the parties and on discovery. Staff's final positions will be based on all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

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

Yes. The forecast for future transmission capacity SUNSHINE: requirements tracks contracted firm transportation volume as well as future requirements. scheduled facility build-up is based 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.

FGT:

No.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

No position at this time.

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:

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.

FGT:

SunShine has not provided adequate support to justify a need for the proposed pipeline in 1995, 1998 or 1999.

1998 or 1999.

FPC:

FPC's precedent agreements provide the "anchor" need for the SunShine Pipeline. (Pollard)

PEOPLES:

Peoples' precedent agreements provide support for the need for the SunShine pipeline. (Grey)

DEP:

No position.

CHESAPEAKE:

Chesapeake's anticipated precedent agreement provides support for the need for the SunShine Pipeline.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

No position at this time.

ISSUE 3:

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

SUNSHINE:

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.

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FGT: SunShine has not provided adequate information that

the proposed pipeline will improve natural gas delivery reliability and integrity within Florida.

FPC: Yes.

PEOPLES: Yes. (Grey)

DEP: No position.

CHESAPEAKE: Agree with SunShine.

PASCO: No position.

FC: Yes.

SOUTH GEORGIA: No position at this time.

CITY GAS: No position at this time.

HERNANDO:
No position.

PINELLAS: No position at this time.

WEST COAST: No position at this time.

STAFF: No position at this time.

ISSUE 4: Are there any adverse consequences to SunShine and

its customers if the petition is denied or if

construction is delayed?

SUNSHINE: 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 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 circumstances that create the present opportunity to construct another natural gas pipeline in Florida may not re-occur, 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.

FGT:

There may be adverse consequences to SunShine if the petition is denied or if construction is delayed, but those adverse consequences are due to SunShine's poor planning and not to any action that might take. PSC There is inadequate information to determine whether there will be any adverse consequences to SunShine's customers.

FPC:

Yes. (Pollard)

PEOPLES:

Yes. Agree with SunShine. Furthermore, additional capacity which can be provided by SunShine is required by Peoples to assure its continued ability to meet its market commitments and allow for expected growth in its markets. (Grey)

DEP:

No position.

CHESAPEAKE:

Agree with SunShine. Further, gas that Chesapeake has subscribed for is to meet the needs of future growth on its system. If this project is delayed or not allowed it may impair our ability to meet future demand on our system.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position at this time.

WEST COAST:

No position at this time.

STAFF:

No position at this time.

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

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.

FGT: SunShine's petition is, at best, premature.

FPC: Yes. (Pollard)

PEOPLES: Agree with SunShine. (Grey)

DEP: No position.

CHESAPEAKE: Yes. The timing of the project coincides with our

projected need for additional capacity.

PASCO: No position.

FC: No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS: No position at this time.

HERNANDO:
No position.

PINELLAS: No position at this time.

WEST COAST: No position at this time.

STAFF: No position at this time.

ISSUE 6: Is the fuel price forecast used by SunShine

reasonable for planning purposes?

SUNSHINE: Yes. The forecast was prepared by an expert

consultant using the best information and data

available on fuel pricing.

FGT:

No.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

Yes.

ISSUE 7:

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

SUNSHINE:

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.

FGT:

SunShine has not presented sufficient information to determine whether there are sufficient divertible supplies of natural gas to meet the expected needs of its customers.

FPC:

Yes.

PEOPLES:

Agree with SunShine. (Grey)

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DEP:

No position.

CHESAPEAKE:

Yes, through contacts with suppliers and upstream pipelines, Chesapeake has determined that

sufficient supplies exist.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

Yes.

ISSUE 8:

Does sufficient capacity exist on pipelines upstream from SunShine to assure natural gas supply can be transported to SunShine sufficient to meet its design capabilities?

SUNSHINE:

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.

FGT:

SunShine has not provided sufficient information to determine whether there is adequate capacity on pipelines upstream from SunShine to assure natural gas supplies can be transported to SunShine sufficient to meet its design capabilities.

FPC:

Yes.

PEOPLES:

Agree with SunShine. (Grey)

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DEP: No position.

CHESAPEAKE: See our position on Issue 7.

PASCO: No position.

FC: No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS: No position at this time.

HERNANDO:
No position.

PINELLAS: No position.

WEST COAST: No position.

STAFF: No position at this time.

ISSUE 9: Will sufficient capacity exist on pipelines

upstream from SunShine to assure natural gas supply can be transported to SunShine at the expected in-

service date?

SUNSHINE: Yes, the necessary upstream pipeline capacity is

already available today and can be expected to be

available at SunShine's in-service date.

FGT: SunShine has not provided sufficient information to

determine whether there will be adequate capacity existing on pipelines upstream from SunShine to assure natural gas supplies can be transported to

SunShine at the expected in-service date.

FPC: Yes.

PEOPLES: Agree with SunShine. (Grey)

DEP: No position.

CHESAPEAKE: Agree with SunShine.

PASCO: No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

No position at this time.

ISSUE 10:

Do existing pipeline companies in Florida have sufficient excess capacity to fulfill forecasted need for transmission capacity?

SUNSHINE:

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.

FGT:

SunShine has not presented sufficient information to determine whether existing pipeline companies in Florida do not have sufficient excess capacity to fulfill the forecasted need for transmission capacity.

FPC:

No.

PEOPLES:

Agree with SunShine. (Grey)

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

No.

ISSUE 11:

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

SUNSHINE:

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

FGT:

No.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position at this time.

STAFF:

No position at this time.

ISSUE 12:

Are approved capacity additions to existing pipelines sufficient to satisfy the growth in capacity requirements for natural gas forecasted by SunShine?

SUNSHINE:

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.

FGT:

SunShine has not provided sufficient information to demonstrate that its proposed pipeline will satisfy an unmet need for future natural gas demand in Florida.

FPC:

No.

PEOPLES:

Agree with SunShine. (Grey)

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

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STAFF:

No.

ISSUE 13:

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:

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.

FGT:

No position.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position at this time.

CHESAPEAKE:

No position.

PASCO:

Sunshine has not provided sufficient information with regard to the minimum distance that will be maintained between water lines and natural gas pipelines, and whether proper planning has been considered with regard to the class of pipeline, meaning why isn't class 3 pipeline being utilized to protect known growth areas, and there is a great necessity to assess the impact of a major mishap, and the proximity of the pipeline to residential, commercial, industrial, parks, schools, hospitals and well-fields.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

SunShine should exceed the requirements of 49 CFR 192. All proposed locations be upgraded upon

reasonable showing of future growth. No disposal, storage, or handling of hazardous or regulated substances within wellhead protection areas. Ensure that emergency response personnel are adequately trained and equipped. Building and right-of-way permits are secured.

PINELLAS:

Agree with West Coast.

WEST COAST:

SunShine has not provided sufficient information to demonstrate that the proposed design, operation, and maintenance procedures of its proposed natural gas pipeline provide a prudent and reasonable level of safety for the public. There is a need to determine the design, operation, and maintenance procedures to be utilized by SunShine relating to co-location of its pipeline with other utility including, but not limited to, transmission lines which contain ferrous material. There is a need for the Commission to determine whether SunShine's proposed pipeline operation, and maintenance will provide the public with the necessary safety, reliability, integrity to avoid subjecting the public to major mishaps.

STAFF:

No position at this time.

ISSUE 14:

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:

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.

FGT:

No.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

SunShine has not provided sufficient information to demonstrate that the proposed design, operation, and maintenance procedures of its proposed natural gas pipeline provide a prudent and reasonable level of safety for the public. There is a need to determine the design, operation, and maintenance procedures to be utilized by SunShine relating to co-location of its pipeline with other utility including, but not limited to. transmission lines which contain ferrous material. There is a need for the Commission to determine whether SunShine's proposed pipeline operation and maintenance will provide the public with the necessary safety, reliability, integrity to avoid subjecting the public to major mishaps.

WEST COAST:

No position at this time.

STAFF:

Yes, SunShine provided sufficient information on the planned location of compressor stations and other affiliated facilities. Sufficiency of the information concerning the route or planned alternative routes is more appropriately addressed by the Department of Environmental Protection as required by Chapter 403, Florida Statutes, as part of the natural gas transmission pipeline siting process.

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ISSUE 15: Are the commencement and terminus of SunShine's

proposed facilities and laterals appropriate to

serve the need identified in Issue 2?

SUNSHINE: 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.

FGT: SunShine has not provided sufficient information to

determine whether the commencement and terminus points of its proposed facilities are appropriate

to serve the need identified in Issue 2.

FPC: Yes.

PEOPLES: Yes. (Grey)

DEP: No position.

CHESAPEAKE: No position.

PASCO: No position.

FC: No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS: No position at this time.

HERNANDO:
No position.

PINELLAS: No position.

WEST COAST: No position.

STAFF: No position at this time.

STIPULATED

ISSUE 16: Has SunShine selected an appropriate pipeline

diameter and configuration for the project?

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.

STIPULATED

ISSUE 17: Are SunShine's construction cost estimates reasonable for planning purposes?

POSITION: Yes. SunShine's cost estimates are based on ANR

Pipeline Company's experience in pipeline construction and on detailed pricing of every

aspect and component of the project.

ISSUE 18: Can the necessary financing for the SunShine

intrastate pipeline project be acquired by the

partnership?

SUNSHINE: 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.

FGT: SunShine has not provided sufficient information to

determine whether the necessary financing for the

proposed pipeline project can be acquired.

FPC: Yes.

PEOPLES: No position at this time.

DEP: No position.

CHESAPEAKE: No position.

PASCO: No position.

FC: No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

No position at this time.

ISSUE 19:

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

SUNSHINE:

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.

FGT:

It does not appear likely that the necessary financing for the proposed pipeline project can be acquired without the participation of FPC as an equity investor. In any event, SunShine has not provided sufficient information to determine whether the necessary financing for the proposed pipeline can be acquired with or without FPC's participation.

FPC:

Yes.

PEOPLES:

No position at this time.

DEP:

No position.

CHESAPEAKE:

No position.

PASCO:

No position.

FC:

No position at this time.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position.

WEST COAST:

No position.

STAFF:

Yes.

ISSUE 20:

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

SUNSHINE:

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.

FGT:

SunShine has not provided sufficient information upon which to determine whether the citizens of the State of Florida would benefit from the existence of competing pipelines.

FPC:

Yes. (Pollard)

PEOPLES:

Agree with SunShine. (Grey)

DEP:

No position.

CHESAPEAKE:

Agree with SunShine.

PASCO:

No position.

FC:

Yes.

SOUTH GEORGIA: No position at this time.

CITY GAS: No position at this time.

HERNANDO: No position.

PINELLAS: No position.

No position at this time. WEST COAST:

STAFF: No position at this time.

STIPULATED

ISSUE 21: associated facilities are required in conjunction with the SunShine Pipeline project?

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.

Based on the resolution of the previous factual and ISSUE 22: 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 application for a determination of need SUNSHINE: should be granted by the Commission.

FGT: FGT believes that SunShine Pipeline Partners not demonstrated its entitlement to the requested determination of need by the PSC pursuant to section 403.9422, Florida Statutes, consequently, that the application should be

denied.

FPC: Yes. (Pollard)

PEOPLES: Yes. (Grey)

DEP: No position.

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Yes, to allow Chesapeake to meet growth demands on CHESAPEAKE:

its system in a timely manner.

PASCO:

No position.

FC:

Yes.

SOUTH GEORGIA: No position at this time.

CITY GAS:

No position at this time.

HERNANDO:

No position.

PINELLAS:

No position at this time.

WEST COAST:

No position at this time.

STAFF:

No position at this time.

VII. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
<u>SUNSHINE</u> Burgin	SUNSHINE	(EJB-1)	SunShine Project Concept Map
Burgin	SUNSHINE	(EJB-2)	Precedent Agreement with FPC/SunShine Pipeline
Burgin	SUNSHINE	(EJB-3)	Precedent Agreement with FPC/SITCO Pipeline
Burgin	SUNSHINE	(EJB-4)	Letter of Intent from the City of Lakeland
Burgin	SUNSHINE	(EJB-5)	Letter of Intent from the City of Leesburg
Burgin	SUNSHINE	(EJB-6)	Precedent Agreement with Peoples Gas/SunShine Pipeline

Witness	Proffered By	I.D. No.	Description
Burgin	SUNSHINE	(EJB-7)	Precedent Agreement with Peoples Gas/SITCO Pipeline
Burgin	SUNSHINE	(EJB-8)	Letter of Intent from Cypress Energy Partners
Burgin	SUNSHINE	(EJB-9)	Letter of Intent from Chesapeake Utilities
Burgin	SUNSHINE	(EJB-10)	Lakeland Precedent Agreement, SITCO
Burgin	SUNSHINE	(EJB-11)	Lakeland Precedent Agreement, SunShine
Burgin	SUNSHINE	(EJB-12)	Leesburg Precedent Agreement, SITCO
Burgin	SUNSHINE	(EJB-13)	Leesburg Precedent Agreement, SunShine
Burgin	SUNSHINE	(EJB-14)	Chesapeake Utilities Precedent Agreement, SITCO
Burgin	SUNSHINE	(EJB-15)	Chesapeake Utilities Precedent Agreement, SunShine
Burgin	SUNSHINE	(EJB-16)	Central Power & Lime Precedent Agreement, SITCO
Burgin	SUNSHINE	(EJB-17)	Central Power & Lime Precedent Agreement, SunShine
Burgin	SUNSHINE	(EJB-18)	City of Clearwater Precedent Agreement, SITCO

Witness	Proffered By	I.D. No.	Description
Burgin	SUNSHINE	(EJB-19)	City of Clearwater Precedent Agreement, SunShine
Burgin	SUNSHINE	(EJB-20)	Seminole Electric Letter of Intent
Hrehor	SUNSHINE	(RJH-1)	United Gas Pipeline Co. Systems Map
Hrehor	SUNSHINE	(RJH-2)	Lower 48 Reserves
Hrehor	SUNSHINE	(RJH-3)	Lower 48 Annual Production
Hrehor	SUNSHINE	(RJH-4)	Mobile Bay Area Production
Lucido	SUNSHINE	(JPL-1)	Geographical Location of Proposed Facilities
Lucido	SUNSHINE	(JPL-2)	Dimension Program
Lucido	SUNSHINE	(JPL-3)	1995 Study/Proposed Operation
Lucido	SUNSHINE	(JPL-4)	1998 Study/Proposed Operation
Lucido	SUNSHINE	(JPL-5)	1999 Study/Proposed Operation
Rose	SUNSHINE	(JLR-A)	Florida Generation Requirements in 2000 and 2010
Rose	SUNSHINE	(JLR-B)	Florida Utility Capacity Expansion Plans by Fuel Type: 1992 to 2000

Witness	Proffered By	I.D. No.	Description
Rose	SUNSHINE	(JLR-C)	Costs of New Power Plant Options - 75% Capacity Factor
Rose	SUNSHINE	(JLR-D)	Range of Natural Gas Price Forecasts for 2010 - U.S. Average Wellhead Prices
Rose	SUNSHINE	(JLR-E)	Busbar Costs of Options - 10% and 25% Capacity Factor
Rose	SUNSHINE	(JLR-F)	The Impact of Plant Utilization on Total Plant Costs
Rose	SUNSHINE	(JLR-G)	Florida Pipeline Requirements - 2000 and 2010
Rose	SUNSHINE	(JLR-H)	Natural Gas Competition at New Power Plants - Market Segmentation
Rose	SUNSHINE	(JLR-I)	Oil Versus Gas in 2000 at Existing O/G Power Plant
Rose	SUNSHINE	(JLR-J)	Electricity Sales Growth Scenarios
<u>FGT</u> Carpenter	FGT	(PRC-1)	Curriculum Vitae of Dr. Paul Carpenter
Carpenter	FGT	(PRC-2)	Excerpts from California Public Utility Commission ("CPUC") Decision No. D.90-02-016 and excerpts from CPUC Decision No. D.92-10-056

Witness	Proffered By	I.D. No.	Description
Carpenter	FGT	(PRC-3)	SunShine's Pro Forma Balance Sheet and Income Statement for the first seven years of the project
Carpenter	FGT	(PRC-4)	Gas-fired capacity changes for Florida reported in the North American Electric Reliability Council's Electricity Supply & Demand 1992-2001
Carpenter	FGT	(PRC-5)	Letter agreement between ANR Southern and Cypress Energy Partners (composite exhibit)
Carpenter	FGT	(PRC-6)	Florida Power Corporation ("FPC") document dated February 23, 1993 reference: Proposed Regulatory Treatment for FPC's Equity Investment in SunShine Pipeline
Carpenter	FGT	(PRC-7)	FPC Natural Gas Task Force Study with Draft Chapter 6
Carpenter	FGT	(PRC-8)	Hibbs Study
Carpenter	FGT	(PRC-9)	SunShine's Complete Pro-forma Financial Simulation of the SunShine Project
Carpenter	FGT	(PRC-10)	Letter agreement dated March 16, 1993 between FPC and ANR Southern
Carpenter	FGT	(PRC-11)	Calculation of Revenue Shortfall for Project

Witness	Proffered By	I.D. No.	Description
Carpenter	FGT	(PRC-12)	List of Existing Florida Investor Owned Utility Generating Plants
Carpenter	FGT	(PRC-13)	Letter dated October 28, 1992 from E.J. Burgin to Stephen Watsey with attached Term Sheet
Carpenter	FGT	(PRC-14)	Map of FGT's Gas Transmission System
Carpenter	FGT	(PRC-15)	FGT's Answers to Staff's 1st Set of Interrogatories (Nos. 1-4)
Carpenter	FGT	(PRC-16)	All exhibits listed by all parties including late-filed exhibits
<u>FPC</u> Pollard	FPC	(JTP-1)	February 15, 1993 SunShine FPC Precedent Agreement
Pollard	FPC	(JTP-2)	February 15, 1993 SITCO - FPC Precedent Agreement
Pollard	FPC	(JTP-3)	April 8, 1993 SunShine FPC Precedent Agreement
Pollard	FPC	(JTP-4)	April 8, 1993 SITCO- FPC Precedent Agreement
Pollard	FPC	(JTP-5)	Estimated Savings for FPC from FGT
Pollard	FPC	(JTP-6)	December 2, 1992 letter from John Hibbs to James Pollard
Pollard	FPC	(JTP-7)	Gas Fired Megawatts in Florida

Witness	Proffered By	I.D. No.	Description
STAFF Composite of affida publication	vits of	(Staff-1)	
Composite of deposit		(Staff-2)	Depositions and exhibits of E.J. Burgin, John P. Lucido, Ronald T. Hrehor, Stephen Watsey, James T. Pollard, Judah L. Rose, Paul R. Carpenter, and Allan Bradley

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

VIII. PROPOSED STIPULATIONS

The following issues have been stipulated above:

Issues, 16, 17, 21

IX. PENDING MOTIONS

SUNSHINE: Sunshine 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 has also filed a request seeking confidential treatment of certain documents at the hearing.

Sunshine also filed a Motion to strike the testimony of FGT's witness, Paul R. Carpenter. The Prehearing Officers' ruling on the motion is found in Section X of this order.

WEST COAST: West Coast filed a Motion for Official Recognition of Certain Documents and a Motion to Allow a Witness at the Time of May 10, 1993 Hearing. The

Prehearing Officer's ruling on the Motion to Allow a Witness is found in Section X of this order. The motion for Official Recognition will be decided at the hearing.

X. RULINGS

FGT'S ISSUES AND SUNSHINE'S MOTION TO STRIKE TESTIMONY :

In its prehearing statement, Florida Gas Transmission Company raised the following issues:

Will FPC's equity position in the SunShine and SITCO pipelines result in an unfair competitive advantage for either or both of those pipelines;

Will FPC's equity position in the SunShine and SITCO pipelines unfairly subsidize either or both of those proposed pipelines;

Will FPC's equity position create an inherent conflict of interest or result in impermissible self-dealing due to the fact that FPC is both a customer and a part-owner of the pipeline project;

Will FPC's equity position offer customers of the proposed pipelines the benefit of a reduction in the long-term of gas transportation; and,

Should FPC be entitled to recover through its fuel adjustment clause, or otherwise, a return on its equity investment in the SunShine and/or SITCO pipelines?

SunShine objected to the inclusion of those issues on the grounds that they were irrelevant to this need determination proceeding. SunShine also filed a motion to strike the testimony of FGT's one witness, Dr. Paul Carpenter, on the grounds that the testimony addressed those issues, and therefore was irrelevant. Having heard oral argument at the prehearing conference and having reviewed the testimony in question, it is clear that Dr. Carpenter's testimony is relevant to this proceeding. The testimony proposes that Florida Power Corporation's position as both a partner in the proposed pipeline and a customer of the proposed pipeline results in a distortion of the market need for additional natural gas transportation in Florida. SunShine's

motion to strike Dr. Carpenter's direct and rebuttal testimony is therefore denied. While FGT's witness' testimony is relevant to a determination of need for an additional natural gas transportation pipeline, FGT's proposed issues are not. FGT's issues address the regulatory treatment of Florida Power Corporation's equity investment in the pipeline. They do not address the need for the pipeline. Those issues would be more appropriately addressed in Docket No. 930281-PU, Florida Power Corporation's petition for an order authorizing a return on equity for its investment in the SunShine pipeline project. Accordingly, FGT's issues, as listed above, will not be considered in this proceeding.

WEST COAST'S MOTION TO ALLOW A WITNESS AT HEARING

Intervenor direct testimony was due in this case on April 12, 1993. Rebuttal testimony from all parties was due on April 22, 1993. West Coast Regional Water Supply Authority moved to intervene on April 26th, and on April 30th West Coast filed a Motion to Allow Witness at Final Hearing. The morning of the prehearing conference on May 3rd, West Coast provided the parties with the direct testimony of Jonathan M. Kennedy. At the prehearing conference SunShine objected to West Coast's motion.

Having considered SunShine's objections, and having reviewed the testimony, West Coast's motion to allow a witness at hearing is hereby denied. The testimony is untimely, but more importantly it is not relevant to the issues to be decided by the Commission in determining the need for the SunShine Intrastate Natural Gas Pipeline. Mr. Kennedy's testimony does not relate to the question of whether or not the proposed design and construction of the pipeline complies with applicable Federal and State safety requirements. Rather, the testimony addresses the impact a particular pipeline corrosion mitigating technique may have on certain types of water mains if the pipeline and the water mains are placed in close proximity. The testimony does not address the safety of the pipeline itself. It addresses the location of the pipeline, and that question is appropriate for resolution by the Natural Gas Transmission Siting Board under the provisions of Section 403.9415, Florida Statutes (1992).

It is therefore,

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 6th day of May , 1993.

SUSAN F. CLARK, Commissioner and Prehearing Officer

(SEAL) MCB:bmi

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such

review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.