

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

March 13, 2023

BY E-PORTAL

Mr. Adam Teitzman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20230032-GU - Petition for Approval of Transportation Service Agreement
with the Florida Public Utilities Company by Peninsula Pipeline Company, Inc..

Dear Mr. Teitzman:

Enclosed for filing, please find the Joint Responses to Staff's Data Requests of Peninsula Pipeline Company and Florida Public Utilities Company (redacted). A Request for Confidential Treatment of information contained in one of the data responses is being filed today under separate cover.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK
cc:/(Certificate of Service)

Florida Public Utilities Company and Peninsula Pipeline Company's Joint
Responses to Staff's Data Requests

- 1. Please explain why FPUC believes it is more appropriate for Peninsula to purchase the pipeline instead of continuing the lease agreement with Citrusuco. In your response, also explain the benefits to the general body of ratepayers of Peninsula owning the pipeline.**

Company Response

Long term, FPUC believes there is too much risk associated with leasing key facilities from another unrelated entity, particularly one that does not have a similar obligation to provide service to other customers. The Citrusuco pipeline is a key strategic asset for FPUC's gas supply and operations in the City of Lake Wales. Ownership of the asset provides an additional level of certainty for FPUC's operations in the area. Additionally, FPUC forecasts growth in the immediate area of the pipeline. By owning the system, Peninsula and by extension FPUC can position themselves to meet the anticipated growth in this area.

Bringing the pipeline under Peninsula's ownership protects the general body of rate payers from potential unforeseen price increases or service challenges tied to the leasing arrangement. Currently the pipeline is owned by a corporation not involved in the utility business. A change in circumstances for that corporation could eventually have ripple effects and impact the current or future lease arrangement. This could ultimately impact the general body of rate payers negatively through rate or service impacts that would be outside of FPUC's control. Additionally, as the pipeline becomes more strategic, the future value and purchase price will likely increase, and impact future leasing arrangements.

- 2. Please explain why Peninsula will purchase the pipeline, instead of FPUC.**

Company Response

The Citrusuco pipeline falls within the portfolio of projects operated by Peninsula. Peninsula owns and operates pipelines that connect interstate gas pipelines to direct connect industrial customers or supply distribution systems. Peninsula is notably experienced in owning and operating these types of pipelines.

- 3. Please identify and explain the types of costs that the monthly reservation charge as shown on Exhibit A to the Agreement is designed to recover.**

Company Response

The monthly reservation charge is designed to recover the costs of the purchase price between Peninsula and Citrusuco through ongoing transportation service between Peninsula and FPUC, and inclusive of Peninsula's rate of return.

- 4. Please explain how FPUC plans to recover from its customers the Monthly Reservation Charge to Peninsula, pursuant to the Firm Transportation Service Agreement.**

Company Response

FPUC will seek to recover its payments to PPC through both the PGA and Swing Service mechanisms. FPUC anticipates recovery in the same manner as all prudently incurred pipeline costs.

5. **Paragraph 13 of the petition states that the estimated cost for FPUC to build pipeline facilities similar to the Lake Wales system would be \$15.46 million. Please discuss how that cost estimate was determined.**

Company Response

The cost for FPUC to build facilities similar to the Citrusuco pipeline were created through an estimate of building facilities using current market rates for construction inputs such as labor and materials, the most effective route, and pressure that would be capable of the same level of service necessary to meet customer needs in the City of Lake Wales

6. **Please provide the purchase price and explain how the cost to purchase the pipeline facilities was determined.**

Company Response

The purchase price is [REDACTED]. This price was bilaterally negotiated between Peninsula and Citrusuco.

7. **Are there any other facilities besides the pipeline that are part of the acquisition agreement between Peninsula and Citrusuco? Please explain.**

Company Response

The acquisition includes appurtenant facilities connected to the pipeline. These facilities are integral to the continued operation of the pipeline, such as valves, meters, machinery, and other fixtures.

8. **Please state when, assuming the Commission approves the proposed Transportation Service Agreement, Peninsula will finalize the Acquisition Agreement with Citrusuco.**

Company Response

Both parties have already come to an agreement on contractual terms for the acquisition. The closing of agreement is contingent on Commission approval of the Transportation Service Agreement. Upon approval of the Transportation Service Agreement, Peninsula and Citrusuco anticipate closing the acquisition and transfer of assets at the earliest opportunity.

9. **Please explain which tariff schedule and associated rates Citrusuco would be served under, following the Commission's approval of the proposed firm transportation agreement and Peninsula's acquisition of the pipeline. Additionally, will there be a filing for approval?**

Company Response

FPUC will serve Citrusuco under a negotiated rate schedule for six years after the close of the acquisition. Afterwards, Citrusuco would be served under tariff rate. In the event FPUC serves Citrusuco under a Contract Transportation Service arrangement under FPUC's Individual

Docket NO. 20230032-GU: Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.

Transportation Service Program, the Company will file for approval of the contract with the Commission in line with the process of the prior Citrusuco contract approved in docket 991168-GU. In the event that the parties determine a Flexible Gas Service arrangement is more appropriate, FPUC will submit the appropriate information to the Commission.