

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (P. Kelley) *EJD*  
Office of the General Counsel (Stiller) *JSC*

**RE:** Docket No. 20240038-GU – Petition for approval of Amendment No. 1 to transportation service agreement between Peninsula Pipeline Company, Inc. and Florida Public Utilities Company.

**AGENDA:** 05/07/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On February 29, 2024, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of amendment No. 1 to firm transportation service agreement (amendment) between Peninsula and Florida Public Utilities Company (FPUC). The purpose of the amendment is to increase supply capability and enhance reliability in St. Cloud, Florida. Peninsula operates as an intrastate natural gas transmission company as defined by Section 368.103(4), Florida Statutes (F.S.).<sup>1</sup> FPUC is a local distribution company subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S. FPUC provides natural gas service to residential, commercial, and industrial customers in Osceola County, and receives deliveries of natural gas

<sup>1</sup> Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

to serve these customers over interstate transmission pipelines owned by Florida Gas Transmission Company, LLC (FGT).

Peninsula provides gas transportation service only; it does not engage in the sale of natural gas to customers. By Order No. PSC-07-1012-TRF-GP (2007 Order), Peninsula received approval of an intrastate gas pipeline tariff that allows it to construct and operate intrastate pipeline facilities and to actively pursue agreements with natural gas customers.<sup>2</sup> Pursuant to the 2007 Order, Peninsula is allowed to enter into gas transmission agreements that meet certain criteria without prior Commission approval.<sup>3</sup> However, Peninsula is requesting Commission approval of the proposed amendment as it does not fit any of the enumerated criteria.<sup>4</sup> Additionally, Peninsula and FPUC (collectively “the parties”) are subsidiaries of Chesapeake Utility Corporation, and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S., and the 2007 Order.

In Order No. PSC-2022-0351-PAA-GU, the Commission approved a firm transportation service agreement between Peninsula and FPUC (2022 agreement).<sup>5</sup> The 2022 agreement was needed in order to allow FPUC to serve Osceola County by transporting natural gas from an existing city gate interconnection with FGT. The parties explained that amendment No. 1 reflects the expected new growth in the St. Cloud area, therefore, they jointly developed the proposed plan to bring additional natural gas capacity into the area.

FPUC has proposed to recover its payments to Peninsula through the Purchased Gas Adjustment (PGA) and swing service rider mechanisms.<sup>6</sup> The PGA allows FPUC to periodically adjust the price of natural gas supplied to its customer to reflect the actual cost of gas purchased and delivered on behalf of the customers. The swing service rider allows FPUC to recover intrastate capacity costs from their transportation customers and is a cents per therm charge that is included in the monthly customer gas bill of transportation customers. While FPUC would incur costs associated with these service expansions, new load added to the system should help spread the costs over a larger customer base.

Pursuant to the proposed amendment (Attachment A to this recommendation), Peninsula would construct, own, and operate two new natural gas pipelines and a new interconnect with FGT’s system. The proposed project would enable FPUC to better serve St. Cloud and future potential gas customers in Osceola County. Maps of the proposed projects are included in Attachment B to this recommendation.

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<sup>2</sup> Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 20070570-GP, *In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.*

<sup>3</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Sheet No. 11, Section 3.

<sup>4</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Sheet No. 12, Section 4.

<sup>5</sup> Order No. PSC-2022-0351-PAA-GU, issued October 11, 2022, in Docket No. 20220123-GU, *In re: Petition for approval of transportation service agreement to reflect expansion of St. Cloud by Florida Public Utilities Company and Peninsula Pipeline Company, Inc.*

<sup>6</sup> Joint Responses to Staff’s First Data Request, Document No. 01544-2024, Response No. 7.

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During the evaluation of the petition, staff issued two data requests to the parties for which responses were received on April 2<sup>7</sup> and 16, 2024.<sup>8</sup> The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

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<sup>7</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024.

<sup>8</sup> Joint Responses to Staff's Second Data Request, Document No. 01904-2024.

## Discussion of Issues

**Issue 1:** Should the Commission approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula?

**Recommendation:** Yes, the Commission should approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula. The proposed amendment to the firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed amendment to the firm transportation service agreement benefits FPUC's current and potential future customers by having an additional source of gas for the growing areas in Osceola County. (P. Kelley)

### **Staff Analysis:**

#### **Proposed Amendment to the Transportation Service Agreement for St. Cloud**

The parties have entered into the proposed firm transportation service agreement to enable FPUC to reinforce its St. Cloud distribution system and meet expected increased natural gas demand in Osceola County. The parties argue that the proposed amendment has the added benefit of providing FPUC with an additional sources of gas (via the Peninsula pipelines) and building a new interconnection with the FGT pipeline.

In response to staff's second data request, the parties stated that they had a desire to amend the 2022 agreement to extend the term of the agreement.<sup>9</sup> In the original 2022 agreement, the 20-year term begins on the "In-Service Date." The amendment adds an additional term "Segment In-Service Dates" to the agreement. These dates are tied to the commencement of commercial operations of each new segment. The parties explained that, in effect, the amendment would extend the original 20-year term by the difference between the original in-service date and the last segment in-service date.

Pursuant to the 2022 agreement, after the expiration of the initial term, the agreement and proposed amendment shall be extended on a year-to-year basis, unless either party gives no less than 90 days of written notification of termination. If either party desires to negotiate modifications to the rates or terms of this agreement, they may do so no less than 120 days prior to expiration of the current active term, subject to Commission approval of the amendment.

#### **Proposed St. Cloud Expansion Project**

The parties provided a map of the proposed project, which is appended to this recommendation as Attachment B. As described in paragraph 12 of the petition, part one the south expansion would begin with Peninsula constructing a new interconnect with FGT, labeled on the project map as "New St. Cloud FGT Tap." Peninsula would then construct 9.18 miles of 6-inch coated steel pipeline traveling along Canoe Creek Road and concluding at an existing pipeline along Hickory Tree Road. Part one of the south expansion is shown on the project map as the longer blue line.

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<sup>9</sup> Joint Responses to Staff's Second Data Request, Document No. 01904-2024

Part two of the south expansion project, as depicted by the short blue line, would start near the intersection of Canoe Creek Road and Nolte Road. Peninsula would construct approximately 0.67 miles of 6-inch coated steel pipeline following the right of way on Canoe Creek Road, and would terminating at the area of planned new development, Green Island Ranch. The parties explained in the petition that this development will consist of approximately 14,000 new homes.

The proposed north expansion project would begin from the previously discussed New St. Cloud FGT Tap. From this location, Peninsula would build approximately 3.09 miles of 6-inch coated steel pipeline following north along Hickory Tree and Narcoossee Road and terminating at a planned new development, Center Lake Branch. The parties explained in the petition that this development will consist of approximately 3,900 new homes.

In response to staff's first data request, the parties stated that FPUC did not issue Formal Request for Proposals to other entities.<sup>10</sup> FPUC explained that in previous discussions and requests with FGT for other projects, FGT has declined to bid on projects related to constructing, owning, and operating laterals such as the proposed expansion project in this petition, which are not a focus of FGT's expansion activities.

### **Anticipated System Benefits**

In paragraph 10 of the petition, the parties expressed that this new project builds upon the original Peninsula pipeline system in order to reinforce portions of FPUC's system. The parties further explained that the amendment reflects the construction of additional facilities necessary for FPUC to expand its service to serve new growth in the St. Cloud area. The parties further explained in paragraph 12 of the petition that the proposed project would reinforce FPUC's St. Cloud distribution system with an additional source of interstate gas with the potential to provide natural gas service to future customers in Osceola County. In addition to the expected growth in residential customers discussed above, FPUC also expects approximately 44 commercial customers and one industrial customer to take natural gas service.<sup>11</sup>

### **Option for Second Phase of Construction**

In paragraph 14 of the petition, the parties discuss an option for a second phase of construction that can be built off the extensions of the initial project. FPUC anticipates additional growth in the St. Cloud area that would likely require additional pipeline capacity. The proposed optional phase will ensure that, within a timely manner, FPUC is able to request that Peninsula build the necessary pipeline facilities in the event of new growth. The rates for the optional second phase are based on current estimates, but would only be applicable within the defined time frame. If the optional second phase does materialize, the parties stated that they would negotiate new rates and file for approval of a new amendment.

### **Negotiated Monthly Reservation Payments to Peninsula**

In paragraph 17 of the petition, the parties expressed that the negotiated monthly reservation charge contained in the proposed amendment is consistent with market rates, because the rates are substantially the same as rates set forth in similar agreements as required by Section 368.105(3)(b), F.S. The parties explained that Peninsula would recover the pipeline construction

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<sup>10</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024, Response No. 9.

<sup>11</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024, Response No. 10.

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costs through the monthly reservation charge to FPUC, as shown in Exhibit B to the proposed amendment. The monthly reservation charge is designed to recover costs such as, but not limited to, engineering, permitting, materials, and installation costs associated with the pipeline and related facilities, ongoing maintenance including Pipeline and Hazardous Materials Safety Administration compliance, safety requirements, property taxes, gas control, and Peninsula's return on investment.

### **Conclusion**

Based on the petition and the parties' responses to staff's data request, staff recommends that the Commission should approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula. The firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed firm transportation service agreement benefits FPUC's current and potential future customers by having an additional source of gas for the growing areas in Osceola County.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order (Stiller)

**Staff Analysis:** If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

ATTACHMENT A

Transportation Service Agreement Amendment – St.  
Cloud



**FIRST AMENDMENT TO  
FIRM TRANSPORTATION SERVICE AGREEMENT**

This First Amendment to Firm Transportation Service Agreement (“Amendment No. 1”) is made and entered into this 26 day of February, 2024, by and between Florida Public Utilities Company, a corporation of the state of Florida (herein called (“Shipper”) and Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “Company” and jointly with Shipper called “Parties”) to amend certain provisions of the Firm Transportation Service Agreement dated June 20, 2022 between Company and Shipper.

**WITNESSETH**

**WHEREAS**, Company and Shipper are parties to that certain Firm Transportation Service Agreement entered into on June 20, 2022, and approved by the Florida Public Service Commission (“FPSC”) in Docket No. 20220123-GU (the “Agreement”), pursuant to which Company provides Shipper with firm transportation in Osceola County, Florida; and

**WHEREAS**, the Parties desire to amend the Agreement to extend the term of the Agreement, to add Monthly Reservation Charges for three (3) new Points of Delivery, to be constructed by Company (“Project”) in two separate phases. As specified in the Exhibit B, Segment I (a) of the Project will enable natural gas service to two (2) additional points of delivery and Segment I (b) will consist of an additional steel pipeline extension .

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.
2. Article I of the Agreement is hereby amended to by adding new definitions as follows:

“Phase Notification” means the notification from the Shipper to begin construction of additional routes; and

“Segment In-Service Date” means the date that Company has commenced commercial operations of the specified Segment of the Project, that construction has been completed on the specified Segment and that the Segment has been inspected and tested as required by applicable law.

Notice of Segment In Service Date - Company will use Commercially Reasonable Efforts to notify Shipper in writing in advance of the date on which each segment is expected to be in service. Company shall confirm the actual Segment In-Service Date to

Shipper in writing no later than five (5) days after such date.

3. Article III Section 3.1 of the Agreement is hereby amended by replacing it with the following:

The Monthly Reservation Charge for Firm Transportation Service provided under this Agreement shall be as set forth in Exhibit B of this Agreement and shall be charged to the Shipper beginning on the Segment In-Service Date and shall thereafter be assessed in accordance with the terms and conditions set forth herein.

4. Article IV of the Agreement is further amended by adding Section 4.5. in its entirety and replacing it with the following:

Shipper has twelve (12) months from the final Segment In-Service Date of Phase I to notify the Company to begin construction of any of the Phase II additional Points of Delivery or Delivery Points as described in Exhibit B at the rates and terms set forth herein. If the Shipper notifies the Company after twelve (12) months, the Company may request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective for the remainder of the Current Term, and the parties shall negotiate such modification in good faith. Any such new rate will be implemented pending regulatory approval, and Exhibit A or B updated accordingly, on the In-Service Date of the additional Points of Delivery or Delivery Points. Notwithstanding the above, and regardless of whether notification occurs within twelve (12) months, if there is a material impact on project costs including but not limited to interest rates, materials, ROW, or labor after the notification and before the commencement of permitting, such as a material change in the construction fee or the cost of steel, the Company may also request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective for the remainder of the Current Term, and the parties shall negotiate such modification in good faith. The Parties hereto acknowledge that any amendments to this Agreement shall be filed with the Florida Public Service Commission for approval.

5. By this Amendment No. 1, Exhibit B is added to the Agreement.

6. The Parties agree to execute and file with the Commission a petition for approval of this Amendment No. 1 within thirty (30) days of execution by both Parties.

7. Except as modified by this Amendment No. 1, the Agreement shall remain unchanged and shall remain in full force and effect, including original Exhibit A.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY  
Peninsula Pipeline Company, Inc.

SHIPPER  
Florida Public Utilities Company

By: William Hancock

By: Jeffrey Sylvester

William Hancock

Jeffrey S. Sylvester

Title: Assistant Vice President

Title: President and Chief Operating Officer

Date: 02/27/2024

Date: 02/27/2024

**EXHIBIT B TO**  
**AMENDMENT No. 1 TO FIRM TRANSPORTATION SERVICE AGREEMENT**  
**BETWEEN**  
**PENINSULA PIPELINE COMPANY, INC.**  
**AND**  
**FLORIDA PUBLIC UTILITIES COMPANY**  
**DATED**  
**February 26, 2024**

**Phase I Construction**

Description of Transporter Delivery Point(s)

1. Segment I (a) A new Florida Gas Transmission gate  
at or near Hickory Tree Road and Jan Land Boulevard [REDACTED]
  
2. Interconnect with the existing PPC pipeline at or near Canoe Creek Road and Nolte  
Road

Description of Point(s) of Delivery

Phase I Pipeline Segments Monthly Reservation Charges:

1. Segment I (b) - At or near South Narcoosee Road and Ralph Miller Road [REDACTED]
2. Segment I (c) - At or near Canoe Creek Road and Sullivan Drive [REDACTED]

**Phase I Total Monthly Reservation Charge:** [REDACTED]

**Phase II Construction**

Description of Transporter Delivery Point(s)

Segment II (a) A new interconnect with Florida Gas Transmission  
and existing PPC pipeline at or near TBD [REDACTED]

Phase II Description of Point(s) of Delivery

Segment II (b) A three mile extension At or near TBD [REDACTED]

**Phase II Total Monthly Reservation Charge** [REDACTED]

Phase I and Phase II Total Monthly Reservation Charge [REDACTED]

**Total MDTQ (Dekatherms):** [REDACTED] Dt/Day

**MHTP:** [REDACTED]

This charge is subject to adjustment pursuant to the terms of this Agreement and is additive to the Initial Monthly Reservation Charge<sup>1</sup>

Unauthorized Use Rate (In addition to Monthly Reservation Charge): /Each Day  
Unauthorized Use

<sup>1</sup> The Parties to this Agreement acknowledge and recognize that the facilities to be installed represent an extension of existing facilities currently used by the Company to provide service to Shipper in Osceola County. The pricing hereunder does not otherwise duplicate charges for service from the existing interconnection "Delivery Point" (renamed "Point of Delivery" herein) with the existing Twin Lakes/St. Cloud Pipeline located at the intersection of Hickory Tree Road and Nolte Road owned and operated by Peninsula Pipeline Company, Inc. approved as part of the original Agreement in Docket No. 20220123-GU.

ATTACHMENT B

Project Map

