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May 13, 2024

**E-PORTAL FILING**

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

**Re: Docket 20240039-GU – Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.**

Dear Mr. Teitzman:

Attached for filing in the referenced docket, please find Peninsula Pipeline's Responses to Staff's Third Set of Data Requests. Portions of these responses are confidential and are therefore redacted. Peninsula is submitting a Request for Confidential Classification under separate cover today.

Thank you for your assistance with this filing.

Kind regards,



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Enclosure

**20240039 – Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.**

**Peninsula Pipeline Company’s Responses to Staff’s Third Data Requests**

**1. Please refer to the Utility’s response to staff’s First Data Request, Question No. 2. Explain why seeking a non-affiliated partner would not result in materially different pricing, but using an affiliated partner produces benefits. As part of this response, provide a quantified estimate of the benefits, such as costs or timing.**

Company Response

The basis for the decision to use an affiliate partner as opposed to a non-affiliate is one of logical reasoning based upon experience.

First, as suggested, timing and cost are an issue. A non-affiliated FERC jurisdictional pipeline must often incur significant costs and timing restrictions that PPC does not. Many FERC jurisdictional pipelines require several million dollars in filing preparation and legal fees to complete and often take up to 2 years between the start of filing prep and FERC approval. This cost and timing delay can be avoided with PPC. This delay has a negative impact on pricing due to inflationary pressures as the project sits for approval, and delays the ability to provide the requested service on time. Additionally, the issuance of an RFP takes time not only to develop the RFP to ensure it addresses all pertinent aspects of the project, but time must be allowed for responses and the analysis of those responses. Pricing and ongoing supply issues in the market compel a more expedited approach to projects, as well inflation.

Second, there are only two options available, as mentioned. FGT has indicated in the past that it simply has no interest in constructing small pipelines and it would charge above market in order to do. Additionally, there are increased costs and timing restrictions to do so, as noted above. The other option would be a non-affiliate intrastate, which is an affiliate of a direct competitor of FCG. Working with PPC, which is under the same business corporate structure, allows for synergies to exist that provide benefits to the project and the overall body of ratepayers such as those stated in the referenced data response. FCG anticipates that there would be material benefits in working

with PPC, namely administrative and operational coordination efficiencies. Practically speaking, it seems unlikely that a competitor intrastate pipeline would be motivated to provide a lower rate in order to facilitate a project for a competitor of its LDC affiliate, and the operational/administrative efficiencies would not exist. Moreover, PPC is very familiar with the costs of materials and labor to do these projects. As such, FCG notes that the timing, pricing, operational and administrative efficiencies offered by working with PPC provide the greatest overall benefit to the project versus the alternatives.

**2. Please refer to the Utility’s response to staff’s First Data Request, Question No. 7 and Second Data Request, Question No. 2. Identify when and through what proceeding(s) would the Commission have an opportunity to review the need for the proposed projects and associated costs, including any purchases from or contracts with the associated production source. As part of your response, explain what the statutory and rule basis of the Commission’s review to determine if cost recovery of the proposed project and associated costs would be appropriate in the future proceeding(s), if any, including any purchases from or contracts with the associated production source**

Company Response

The Commission will have an opportunity to review the associated capacity costs FCG will incur in the annual review of the Purchased Gas Adjustment Factor. As noted in prior Commission order, the Commission is vested with jurisdiction in that regard in accordance with Sections 366.04, 366.05 and 366.06, F.S.. To the extent there are other associated costs, the Commission would have the opportunity to review those costs, the reasonableness of recovery of those costs, and appropriate accounting treatment when the Company files its next rate case proceeding.

**3. Please refer to the Utility’s response to staff’s Second Data Request, Question No. 4. Provide a quantification of the identified savings over the life of each of the contracts, in nominal and net present value.**

Company Response

FCG expects that the projects will provide savings by allowing FCG the ability to potentially optimize its current capacity portfolio and realizing a savings to customers. Additionally, the projects are driven firstly by the need to diversify the gas supply and supply reliability of the Company's portfolio in the project areas due the constraints on FGT on the East Leg of its system. As previously stated, purchasing locally sourced gas is a benefit compared to the alternative of procuring long-haul capacity for incremental requirements. Currently max rate capacity on Florida Gas Transmission (FGT) is \$0.515Dth/day and a project providing additional capacity to FGT's East Leg, which is fully subscribed, may be north of \$2.00Dth/day. These projects provide supply to constrained locations without FCG having to procure the additional FGT capacity.

**For the following questions, provide a response for each of the three projects (Brevard County, Indian River County, and Miami-Dade County).**

**4. Provide the estimated annual and peak day consumption of the local interconnected area, and the estimated annual and peak contribution of the associated production source. As part of your response, compare the consumption of the local interconnected area to the system as a whole.**

Company Response

The total system demand based on the last Design Day study for the November to March winter season was 107,667Dth/d. This time frame is when FCG would most likely see a peak demand day. The demand in Brevard County would be around 31% of the total, Indian River would be 8% of the total, and Miami Dade would be 61% of the total. The design day study was done to address this issue, not an annual forecast.

The projected peak contribution of associated production source is the following,

[REDACTED]

[REDACTED]

[REDACTED]

While the Company acknowledges that these projects do not provide a total, long-term supply solution for FCG, each project does support system supply reliability by connecting an alternate local supply point for each area.

**5. Provide the forecasted annual and peak consumption growth per year of the local interconnected area for the contracted period, and what percentage of that growth the associated production source would address. As part of your response, compare the growth of the local interconnected area to the system as a whole.**

Company Response

Brevard – In addition to organic growth, FCG currently has large industrial users interested in gas service related to in the Space Launch and Cruise industries in Brevard County with demands that may exceed [REDACTED] which will exceed the available capacity in the area. Therefore, additional capacity is needed to meet the increasing demands in this highly constrained area.

Indian-River – Additional capacity is needed in Indian River County to meet the demand associated with the Beachside Expansion project on the barrier island, forecasted to add approximately [REDACTED] customers and [REDACTED] above our historical organic growth increases. Additionally, this supply point will tie all three Indian River County systems together, adding resiliency that is needed to address single points of failure on the distribution system. Eliminating the potential single points of failure will provide protection against wide-spread outages similar to the one experienced in St Lucie County in May 2015.

Miami-Dade – FCG currently has industrial users interested in gas service related to with a demand in excess of [REDACTED] That will strain an already constrained area in South Florida. Additional capacity is needed to meet the demands of those applicants while allowing for continued organic growth.

For how much the production source would provide to help serve the projected growth, please refer to question 4. Additional projects are expected to be developed to meet the future expected growth and associated demand.

**6. Identify the next best alternative to provide the same quantity of gas as the associated production source to the local interconnected area, and provide an estimate of its costs compared to the proposed project and associated production source.**

Company Response

For all three projects, the next best alternative would be an interconnect project with an upstream interstate pipeline and the purchase of additional capacity. Using the upstream system is not feasible due to the constraints on that system, and the capacity on the portion of the upstream pipeline in the project area being fully subscribed. In addition to being more costly, that approach would negate the key component of these projects, which is the need to diversify the supply sources from the upstream pipeline operators into FCG due to constraints on the upstream system. A project with an upstream pipeline operator can also add significant time impacts due the Federal Energy Regulatory Commission review process. Additionally, the size of the laterals being built are not the focus of the upstream operator's expansion activities.

**7. Provide whether a reliability need currently exists that the proposed project and associated production source addresses.**

**a. If so, explain what reliability metric is currently insufficient and how the project would resolve or reduce the reliability need. As part of your explanation, identify alternatives that were considered, if any, and why they were rejected.**

Company Response

Generally, for the three project areas, system reliability and the need to diversify supply sources was the main factor considered in these projects. By diversifying the supply sources, FCG protects itself from possible upstream supply disruptions and price increases from upstream sources. The alternatives to these projects were rejected because they would be creating additional buildout from the same supply source.

**b. If not, explain when would a reliability need would occur if the project is not approved.**

Company Response

An exact timeline of when a reliability need would occur in the project areas is not possible as it is dependent on factors from growth projects not in the Company's control. But the Company has experienced an increased interest in gas service from customers in the project areas. As new customers come online, the system will need additional gas supply. Generally, expansion of service to new customers and organic growth will drive this need for additional gas supply.

Brevard County-- The addition of a supplemental supply point in Brevard County will provide a needed level of resiliency that will protect the system from upstream supply interruption and provide an additional source of gas. Gas need is expected to be driven by growth in the Space Launch and Cruise industries in the County.

Indian-River County-- Indian River County laterals are currently serviced by two delivery points that receive gas from an interstate gas source to three points of delivery. Tying those delivery points together through the project and adding an additional supply source will protect the distribution system from outages related to the loss of any one supply point of the laterals. Additionally, service is being expanded to the barrier islands. This will create the need for an additional need for gas supply.

Miami-Dade – Miami Dade County is at the end of a single interstate transmission system and therefore has no supply resiliency should the upstream supply be interrupted. Adding an additional supply point that is not dependent on the interstate transmission system will provide needed resiliency and gas supply in the area.

**8. Has the buyer of the gas from the associated production source been determined, and if so, identify them.**

**a. If no buyer has been determined, explain why not.**

Company Response

FCG is the buyer of the gas.

**b. If the buyer is FCG, explain why the gas purchases are necessary and at what rate(s) it is purchasing the gas. If the rate(s) exceeds the current market price of natural gas, please explain why it is in the public interest to do so.**

Company Response

As mentioned in question 3, purchasing locally sourced gas helps FCG avoid procuring long-haul capacity for incremental requirements. Transaction details are currently being finalized with the producers. Generally, these projects provide supply to constrained locations without FCG having to procure additional FGT capacity which, as stated previously, is fully subscribed. This is a benefit to the general body of ratepayers due to the diversification in supply sources. As stated in DR #2, question 4, in general, FCG has negotiated deals at a cost equivalent to incremental Florida Gas Transmission (FGT) long-haul capacity. Additionally, the projected PGA impact has been provided to the Commission DR #1, question 7.

**c. If the buyer is not FCG, explain whether and how costs associated with the contract would be passed on to the ultimate buyer. If they would not be passed on to the ultimate buyer but borne by the general body of ratepayers, explain why it is reasonable to do so.**

Company Response

N/A



**9. Please describe the impact to FCG and the general body of ratepayers if each of the following scenarios occurs during any monthly period of the proposed contract, in terms of payments under the contract, costs to FCG's general body of ratepayers, and reliability of the system.**

**a. There is no flow of gas from the associated production source.**

Company Response

For the projects, FCG has structured a contract with the producer based upon volume of gas flow. The payments to the producer will be on their production output. The payments to the producer will be recovered through the PGA like all other gas supply costs. The greater distribution system will continue to operate safely as the system will still have supply from its other interconnects.

**b. The associated production source operates at its forecasted capacity and FCG purchases gas from the associated production source.**

Company Response

When operating at the forecasted capacity, FCG will have another source to call upon for gas supply. FCG will pay the producer based on the agreed upon terms. The payments to the producer will be recovered through the PGA like other gas supply costs.

**c. The associated production source operates at its forecasted capacity and a third party purchases the gas from the associated production source.**

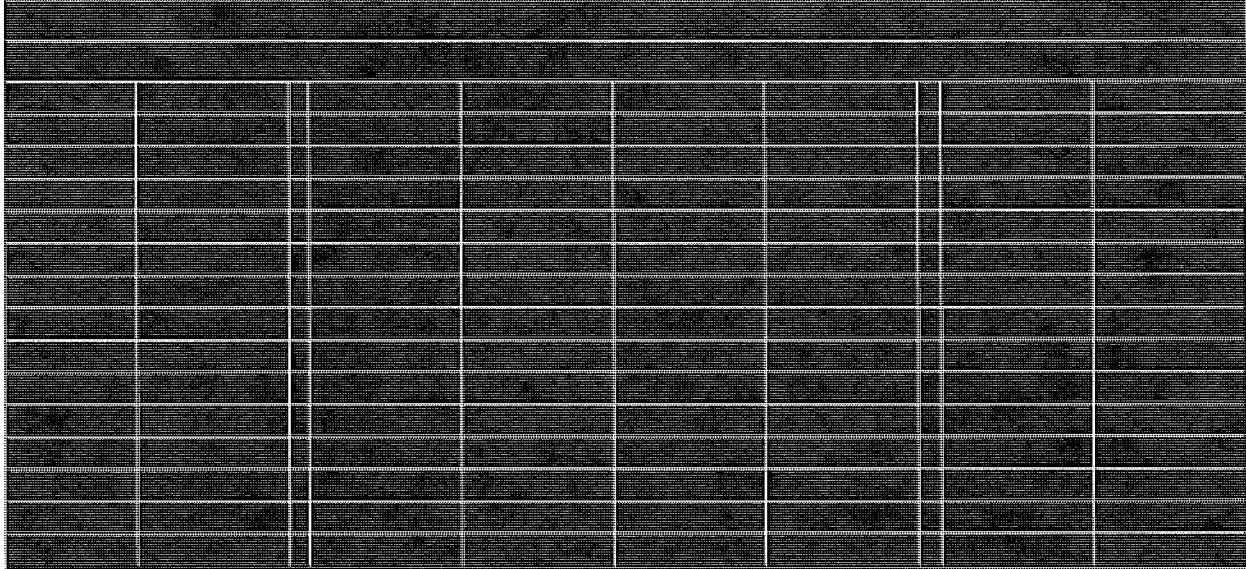
Company Response

A third party will not be purchasing the gas. FCG will be using the gas for its system and customer needs.

**10. For the local interconnected area, specify how many sources of natural gas are available. As part of this response, provide the quantity and percentage of gas supply that the project and its associated production source would represent compared to each other source.**

Company Response

In the project areas, the only other supply source is the East Leg of FGT. In the table below, the projects are compared to contracted capacity on FGT for each month.



**11. What percentage of renewable natural gas would the associated production source represent for the local interconnected area and out of the system as a whole?**

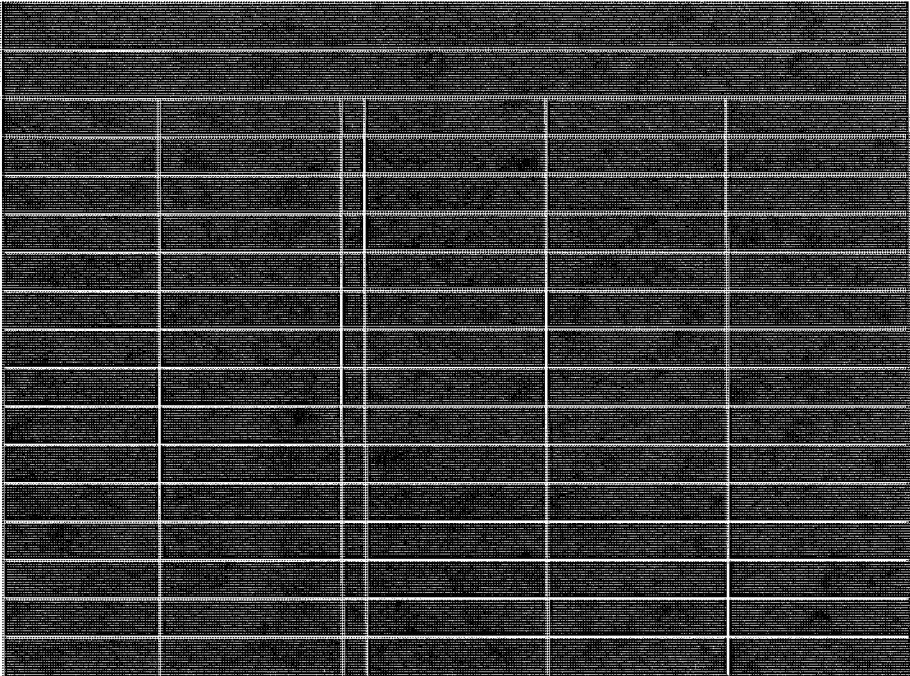
Company Response

Based upon the time of the year, that percentage would change. Our current transportation position on FGT changes by season. Our capacity positions are based upon the following times frames:

- November to March
- April
- May to September
- October

The contracts with the RNG producers were structured to meet FCG’s estimated demand by season, with the November to March time frame being peak demand, the May to September time frame being the lowest demand, and April and October as being shoulder months adjusted for either the increase or decrease in demand based off of historical weather patterns. The new seasonal deliverability and percentage increases are as follows:





**For the following questions, please provide the following information regarding the identified projects.**

**Indian River County Gas Supply Project**

**12. Refer to the Utility's Petition, paragraphs 15 through 17. Regarding the interconnection of the three systems, provide the following:**

**a. What benefits, if any, are there to interconnecting the three systems?**

Company Response

Indian River County is currently serviced by two delivery points from an interstate pipeline that feeds the entire system. Tying these systems together and adding an additional supply source will protect the distribution system from outages related to the loss of any one supply point. Additionally, service is being expanded to the barrier islands. This has created the need for a additional gas supply and capacity.

**b. How much of the local interconnected area capacity would the interconnection(s) be able to carry?**

Company Response

The interconnections would be able to carry the capacity in Exhibit A of the contract.

**c. What alternatives, if any, are there to interconnecting the three systems?**

Company Response

No other alternatives exist that would offer the same protections and benefits. The three systems would continue to receive gas from their individual upstream interconnect.

- 13. Please refer to the Utility's response to staff's First Data Request, Question No. 12. Are any alternatives available that would provide the flow design benefits provided by the project?**

Company Response

There are currently no other projects like the one being proposed that could address FCG's supply/transport needs.

**Miami-Dade County Project**

- 14. Refer to the Utility's Petition, paragraph 21**

- a. Provide the actual and estimated frequency of supply disruptions for the local interconnected area.**

Company Response

As stated previously, FCG's current Gate Stations are all on the East Leg of FGT, which is frequently allocated by the upstream transmission provider. The FCG system may be subject to the following allocations which is a capacity constraint on any gas day at these system points on FGT, contingent upon demand for gas in the market area.

- Market Area Allocation downstream of Compressor 12
- East Leg Allocation downstream of Compressor 16
- Station 32 Group Allocation
- South of Station 21 Allocation

- b. What alternatives, if any, are there to address supply disruptions, and how do they compare to the proposed project and associated production source?**

Company Response

In the event of a supply disruption, there are currently no alternatives for supply to Miami Dade. There is only one transmission pipeline that supplies the counties of Broward and Miami Dade. This project is the only alternative to that supply.

15. **With reference to response number 9, in staff's first data request, the company states that it will pay approximately \$1.54MM as its portion of the total cost of approximately 6.1 MM for the Brevard County project. Please discuss who will be responsible for the portion not paid by FCG.**

Company Response

The rest of the project is being paid for by the producer of the gas.

16. **With reference to response number 17, in staff's first data request, the company's estimated cost for the Indian River County project is \$17.7MM. Please discuss if this amount is all FCG's responsibility or whether another entity also has cost responsibility and identify the entity.**

Company Response

This project is being paid for by FCG through the reservation charge.

17. **With reference to response number 25 in staff's first data request, the company states that it will pay approximately \$8.33MM as its portion of the total cost of approximately \$22MM for the Miami-Dade County project. Please discuss who will be responsible for the portion not paid by FCG.**

Company Response

The rest of the project is being paid for by the producer of the gas.

18. **The petition and responses to staff's data requests alludes to the fact that the proposed projects are needed to serve expected new population growth and significant increase in**

**demand for natural gas. For each of the proposed projects in Brevard, Indian River, and Miami-Dade Counties, please quantify the estimated number of customers FCG plans to serve and the estimated amount of therms needed to serve those customers**

Company Response

Brevard – Please refer to the response in question number 5.

Indian-River – Please refer to the response in question number 5.

Miami-Dade – Please refer to the response in question number 5.