

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a) DOCKET NO. 920807-GP
Determination of Need for an) ORDER NO. PSC-93-0987-FOF-GP
Intrastate Natural Gas Pipeline) ISSUED: 7/2/93
by SunShine Pipeline Partners.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER DETERMINING THE NEED
FOR AN INTRASTATE NATURAL GAS PIPELINE

BY THE COMMISSION:

BACKGROUND

On March 5, 1993, SunShine Pipeline Partners (SunShine) filed an application for a determination of need for a natural gas transmission pipeline into the State of Florida. The pipeline will be the second major natural gas transmission system to serve peninsular Florida. The pipeline will be an intrastate pipeline, subject to our jurisdiction under the provisions of Chapter 368, Florida Statutes.

The SunShine Pipeline Partners are Coastal Southern Pipeline Company (Coastal Southern), a subsidiary of the Coastal Corporation (Coastal), Power Energy Services Corporation (PESCORP), a special purpose subsidiary of Florida Power Corporation (FPC), and TCPL SunShine Ltd. (TCPL), a subsidiary of TransCanada Pipelines, Ltd. (TransCanada). Through their respective subsidiaries, Coastal will own 40% of the SunShine Pipeline, while FPC and TransCanada will each own 30%. The partners plan to project finance the pipeline with a ratio of 25% equity to 75% debt.

The pipeline will begin at a point in Okaloosa County and extend east and south to serve natural gas markets in peninsular and central Florida. The pipeline will interconnect with a proposed

¹ By the terms of the Henshaw Amendment to the Natural Gas Act, 15 USCS 717 (c), the pipeline would be exempt from the jurisdiction of the Federal Energy Regulatory Commission.

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affiliated interstate natural gas pipeline that will be constructed by SunShine Interstate Transmission Company (SITCO). ANR Southern Pipeline Company (ANR Southern), also a subsidiary of Coastal, Power Interstate Energy Services (PIESCORP), also a special purpose subsidiary of FPC, and TCPL SunShine Interstate Ltd (TCPL Interstate), also a subsidiary of TransCanada, will be the partners in SITCO.

SunShine proposes to construct the intrastate pipeline system in three phases, beginning in 1995. The first phase of the pipeline will consist of approximately 502 miles of mainline and laterals that will have a transmission capacity of 250,000 Mcf per day. The second phase of the pipeline will be constructed in 1998 and will consist of approximately 113 miles of additional lateral pipeline extending from Polk County through Hardee and Highlands Counties into Okeechobee County. The second phase of the pipeline will also include two compressor stations of approximately 10,000 horsepower each. The second phase facilities will increase the system capacity to approximately 425,000 Mcf per day. The third phase of the project will be placed in service in 1999. This phase will add three new compressor stations to the system and increase total system capacity to approximately 550,000 Mcf per day.

The following parties intervened in the determination of need proceeding: Florida Gas Transmission Company (FGT); Florida Power Corporation (FPC); Peoples Gas System, Inc. (Peoples); the Department of Environmental Regulation (DER); Chesapeake Utilities Corporation (Chesapeake); Pasco County (Pasco); Pinellas County (Pinellas); Hernando County (Hernando); South Georgia Natural Gas Company (South Georgia); City Gas Company of Florida (City Gas); West Coast Regional Water Supply Authority (West Coast); Chevron U.S.A., Inc. (Chevron); United Gas Pipeline Company (United), and Florida Cities. Florida Cities is an ad hoc group comprised of: Jacksonville Electric Authority, Orlando Utilities Commission, City of Tallahassee Electric Department, Lakeland Department of Electric and Water Utilities, City of Gainesville, City of Homestead, Kissimmee Utility Authority, City of Stark, City of St. Cloud, City of Clearwater, Lake Apopka Natural Gas District, City of Leesburg, City of Pensacola, and Okaloosa County Natural Gas District.

A prehearing conference was held on May 3, 1993, and a formal hearing was held May 10-11, 1993. Post-hearing filings were submitted by all parties except United. FGT and West Coast filed proposed findings of fact. Our specific responses to those proposed findings are set out in attachments A and B to this order.

We have jurisdiction of this proceeding under section 403.9422, Florida Statutes, the Natural Gas Transmission Pipeline Siting Act. That statute gives us the responsibility to determine the need for intrastate gas transmission pipelines. The Commission is the sole forum to determine the need, and our decision is binding on all parties to any certification proceeding under the Pipeline Siting Act.

Decision

The basic issue we are called upon to decide in this proceeding is whether, under the provisions of section 403.9422, Florida Statutes, SunShine has adequately demonstrated the need to construct its proposed pipeline system. The statute directs us to consider the following topics in our determination of need:

- 1) The need for natural gas delivery reliability, safety, and integrity;
- 2) The need for abundant, clean-burning natural gas to assure the economic well-being of the public;
- 3) The appropriate commencement and terminus of the line, and;
- 4) other matters within our jurisdiction deemed relevant to the determination of need.

We have considered all issues relevant to these topics, and we hold that SunShine has demonstrated both that there is a need for an additional natural gas transmission pipeline into the State of Florida, and that the SunShine project is the appropriate pipeline project to fill that need. The factual and rational basis for our decision is set out in detail below.

I. The need for an additional natural gas transmission pipeline

SunShine asserts that there is a significant demand for additional natural gas pipeline capacity into the state. SunShine's project is designed to supply an additional 250,000 Mcf per day of natural gas transmission capacity in 1995, 425,000 Mcf per day in 1998, and 550,000 Mcf per day in 1999 to fill that demand. SunShine provided evidence to support the demand for the additional transmission capacity in two ways; a forecast of electric utilities' gas capacity requirements for the years 2000 and 2010, and the signed precedent agreements of prospective shippers on the SunShine pipeline.

A. SunShine's forecast

SunShine's witnesses Rose and Burgin testified that the major demand for additional gas transmission capacity into the state comes from the electric generation industry. Mr. Rose provided a forecast that estimated the demand for pipeline capacity (gas capacity requirements) by considering both the increased demand for capacity to serve existing oil/gas steam powerplants in Florida that will convert to natural gas, and the increased demand for capacity to serve new gas-fired powerplants.

Mr. Rose first estimated long-term electricity demand growth in Florida, using the average electric growth for 1992-2001 appearing in the 1992 Ten Year Plan adopted by the Florida Electric Power Coordinating Group (FCG) as his mid-case estimate. He assumed that the resulting annual electricity growth percentage (2.6% per year) would continue through the year 2010. He based that assumption upon a sensitivity analysis he conducted using EPRI models of electricity demand projection and a variety of publicly available information regarding population growth. Mr. Rose concluded that the total electricity growth in the state would range between 1.7 percent and 3.8 percent.

Mr. Rose then estimated the firm gas pipeline capacity in the years 2000 and 2010 that would be necessary to serve the electric generating requirements of new gas powerplants. Mr. Rose assumed on a conservative basis that 50 percent of the increase in electricity generation requirements would come from firm gas-fired power generation. He based this assumption on Florida utility plans that show that two-thirds of the planned capacity additions will use natural gas as the principal fuel.

Mr. Rose identified four load segments, or types of power plants, including baseload, intermediate, seasonal peaking, and daily peaking. These segments are defined according to percent utilization, referring to the percent of the year that a typical plant is activated. Baseload has the highest utilization, and daily peaking has the lowest utilization. He developed estimated shares of electric capacity by load segment for new gas power plants by comparing the relative costs of new electric and gas power plants, the future costs of fuels, and the non-cost risk factors expected to exist during the next 20 years. For new power plants, Mr. Rose estimated that 50 percent of the electric generating capacity used in baseload, 75 percent of the electric generating capacity used in intermediate load, and 50 percent of

the electric generating capacity used in seasonal peaking load, will require firm gas pipeline transportation in the years 2000 and 2010. He developed his estimates using comparative costs of oil and gas for the different load segments. Finally, he converted his electricity capacity estimates into gas capacity requirements using industry heat rate estimates.

Mr. Rose then made a separate analysis of gas use by existing oil/gas steam power plants that could be expected to convert to natural gas use. He estimated the percent of electric generation capacity in each of the four load segments of existing power plants, and then he estimated the percent of capacity in each segment that would be met through firm gas capacity. For existing power plants, Mr. Rose projected that 75 percent of the electric generating capacity used in intermediate load, and 50 percent of the electric generating capacity used in the seasonal peaking load will require firm pipeline transportation in 2000 and 2010.

Mr. Rose estimated that Florida pipeline capacity requirements in the year 2000, based on the 1992 FCG Ten Year plan's electricity growth rate, will be 3.8 billion cubic feet per day (Bcf/day), including non-electric demand. This requirement is 2.3 Bcf/day larger than the anticipated available capacity of 1.5 Bcf/day in the year 2000. Thus, since the capacity of the SunShine pipeline is .55 Bcf/day, gas capacity requirements will exceed supply in the year 2000, even if the SunShine pipeline is built.

FGT did not agree with SunShine's forecast procedure, because it was macroeconomic in nature and did not include consideration of utilities plant-by-plant plans for power plant expansion, conversion, and fuel choice. FGT also indicated that SunShine's fuel price forecast, an input used to determine the gas capacity requirement forecast, appeared to be too low.

We believe that Mr. Rose's procedure reflects the impact of key factors driving gas capacity requirements, such as competition between fuel alternatives and power plant utilization levels. In addition, Mr. Rose's procedure did include power plant plans. We believe it is an acceptable method of forecasting capacity requirements. Recognizing that gas prices are volatile and uncertain, Mr. Rose developed a range of forecasted fuel prices that incorporated forecasts used by the Florida Electric Coordinating Group and the Department of Energy (DOE). While Mr. Rose stated that his forecasted fuel prices are lower than those of the FCG and the DOE, he used the more conservative end of the fuel

price forecast ranges to account for the volatility and uncertainty in prices.

While FGT proposes that the fuel price forecast is not reasonable for planning purposes, FGT does not offer any specific argument to support that position. FGT's witness Carpenter stated that he believed Mr. Rose's determination of what percentages of baseload, intermediate, and seasonal peaking additions were going to use gas appeared to be based on fairly attractive forecasts for gas prices, relative to oil, but Mr. Carpenter did not present a fuel price forecast that he believed to be more reasonable. We find that SunShine's fuel price forecast is reasonable for planning purposes.

SunShine and FGT presented conflicting analyses of the gas capacity requirements available to SunShine to serve in the year 2000. FGT based its analysis on Florida electric utilities' generation and expansion plans. SunShine's forecast of gas capacity requirements available to its proposed pipeline in the year 2000 appears to be somewhat higher than that reflected in the Florida electric utilities' 1992 Ten Year Plan. Nevertheless, SunShine's gas capacity requirements forecast is based on a sound economic analysis of fuel costs, conversion costs, and powerplant construction costs.

We do find that one minor adjustment to SunShine's forecast of gas capacity requirements available to the proposed pipeline is appropriate. The company provided testimony that western Florida and the Tallahassee area are not readily accessible to the new pipeline. These areas account for gas capacity requirements of 0.3 Bcf/day. Excluding this gas capacity amount, the appropriate gas capacity requirements available to the SunShine pipeline in the year 2000 is 2.0 Bcf/day. The gas capacity requirements available to the pipeline in 2010 is 3.2 Bcf/day. Even with this adjustment, it is clear that gas capacity requirements will exceed supply in the year 2000, even if the SunShine pipeline is built. We find that SunShine's forecast is reasonable for planning purposes.

B. Precedent Agreements

SunShine has obtained signed precedent agreements for approximately 71 percent of the capacity proposed for 1995, and approximately 58 percent of the capacity proposed for 1998. The ultimate initial design capabilities of SunShine's proposed project are achieved in 1999. Of the 550,000 Mcf of capacity proposed,

SunShine has obtained signed precedent agreements covering approximately 53 percent.

While the precedent agreements demonstrate consumer interest in the pipeline, the capacity requested is lower than 100 percent. It would be preferable to have complete subscription prior to granting a determination of need, but it is not realistic to expect full subscription at the earliest stages of greenfield pipeline project development. We do not believe that full subscription of the pipeline prior to a determination of need is necessary if the following two conditions are met: the forecasted gas capacity requirements are sufficient to achieve full pipeline capacity; and a competitive environment is expected to exist for transportation of natural gas.

It is our judgment that the 1995 subscription level of approximately 70 percent is reasonable to justify construction of the first phase of the project, but the signed precedent agreements SunShine has acquired thus far do not by themselves demonstrate that there is sufficient demand for the proposed expansions of the project. When we consider the signed precedent agreements along with SunShine's forecast of future capacity requirements of electric generators, however, we do find that SunShine has provided adequate support to justify its designed pipeline capacity in the years proposed.

Mr. Rose indicates that there will be more demand for capacity than will be available in the year 2000 even if FGT's Phase III and SunShine are constructed. His estimate of needed gas transportation capacity in 2000 supports full subscription. While the in-service date for the last major capital outlay for the pipeline's expansion capability is in 1999, Mr. Rose demonstrates that the forecasts for the two years are similar, because powerplant owners that have converted plants in response to the Clean Air Act will be running performance tests in 1999, the electricity demand in 1999 will only be 2.6 percent less than in 2000, and the price relationships between gas and oil in 1999 and 2000 are similar.

For these reasons we believe that the pipeline is likely to be fully subscribed by 1999. The precedent agreements and SunShine's forecasts together lead us to the conclusion that SunShine has demonstrated the need for additional gas capacity in the amounts and at the times appropriate for the construction of the pipeline.

Because the proposed pipeline is not fully subscribed at this time, however, we advise SunShine Pipeline Partners that its owners remain at risk for any unrecovered investment due to undersubscription. We will discuss this further in the conclusion of this order.

C. Natural Gas Delivery Reliability and Integrity

We have found that SunShine has adequately demonstrated that there is a demand for additional natural gas capacity into the state. SunShine has also adequately demonstrated that neither existing pipeline companies, nor approved capacity additions to existing pipelines in Florida have sufficient excess capacity to satisfy the forecasted growth in capacity requirements for natural gas.

Currently, FGT is in the process of obtaining FERC approval to construct and operate Phase III of its system, and even though FGT has not obtained all approvals necessary to begin construction of Phase III, the capacity of this addition is fully subscribed. Phase I and Phase II are also fully subscribed. When a mainline is fully subscribed, new shippers and established shippers cannot obtain additional capacity on a firm basis.

All capacity currently under contract with SunShine could not be served by Phase I, II, or the proposed Phase III. The agreements that SunShine has obtained are for firm capacity. FPC's Anclote Plant oil-to-gas conversion, scheduled to take place in 1996, is the largest near-term capacity requirement for which there exists no approved or existing capacity. The precedent agreement between ANR and FPC calls for a MDQ of 128,000 MMBtus (124.2 Mcf/day) to serve the FPC Anclote facility. This is nearly half of the 250,000 Mcf/day gas capacity of the initial phase of the proposed SunShine pipeline. Since Phase III is already completely subscribed, new pipeline capacity is required to serve Anclote.

FGT states that it is planning to file for approval of Phase IV with FERC, and the new capacity could come on line as early as 1996. FGT contends that this expansion could be used to provide the gas capacity requirements of the Anclote facility. By acknowledging the need for the Phase IV to serve Anclote, FGT has demonstrated that current gas capacity is insufficient to satisfy the gas capacity requirement of the state.

While FGT's witness Carpenter agrees that all three phases on FGT's system are fully subscribed, he points out that fully subscribed does not mean fully utilized. He contends that SunShine's customers can use interruptible capacity as well as capacity released from other shippers. He believes that the capacity release mechanism made available through the implementation of FERC Order 636 can provide the customers the capacity they require.

We do not believe that interruptible capacity on FGT's system could accommodate the needs of SunShine's customers. It is not realistic to expect utilities to rely upon interruptible capacity to fulfill their obligation to serve. Nor is it realistic to expect utilities to rely upon capacity release to fulfill their obligation to serve. Interruptible capacity and the capacity release mechanism are interrelated. Both rely on the fact that excess capacity is available, either through FGT itself or through the shippers. Both require that capacity can be diverted to where it is needed. The load curves of the major customers of FGT (electric generating facilities) are similar in nature in that they require the majority of the volumes of gas in the summer months. While interruptible transportation and capacity release may be available on FGT's system in the months of October through March, in the summer, when the capacity is needed, capacity release and interruptible capacity are not viable options. Utilities, whether electric generation or local gas distributors, have an obligation to serve. This obligation could be jeopardized by relying on interruptible or capacity release that may or may not be available to serve their needs and the ultimate needs of the end users. We find, therefore that United, South Georgia, and FGT do not have the capability to serve the loads required by SunShine's customers. Even if FGT does construct and operate Phase III, the reliance on interruptible capacity or capacity release would not be in the best interest of the utilities, and the end use customers they serve.

Additional gas capacity will facilitate increased access to gas supply. Natural gas delivery reliability and integrity will be improved by the construction of additional natural gas transmission capacity to increase the availability of natural gas supplies. Furthermore, dual pipelines can be beneficial in times of shortfall due to cold weather. Dual pipelines can also be beneficial when a lateral or main line is damaged. Volumes of gas can be redirected from one pipeline to another so that the chance of outage is reduced.

A reliable pipeline system provides end-use customers the opportunity to obtain the supplies of natural gas they need. FGT has not been able to provide capacity only in summer that customers in Florida need. SunShine will be able to supply the additional summer capacity required. Through SunShine's ability to provide additional capacity in the summer, the reliability of the transportation system in Florida will be improved.

D. Access to Natural Gas Supply

In Order No. 636, issued April 8, 1992, The Federal Energy Regulatory Commission (FERC) concluded that adequate divertible gas supplies exist in all pipeline markets. The FERC also concluded that a significant amount of uncommitted supplies are available at competitive prices. The record indicates that in 1991, the lower forty-eight states' proven natural gas reserves exceed 150 Tcf. While it is clear that adequate supplies of natural gas exist, the question is whether SunShine's customers can access the gas supplies. As the FERC said in Order 636, "the first goal is to ensure that all shippers have meaningful access to the pipeline transportation grid so that willing buyers and sellers can meet in a competitive, national market to transact the most efficient deals possible". It is through this transportation grid that the highest-bidding buyer can meet the lowest-bidding seller.

The record indicates that there are ample supplies of natural gas that SunShine's customers will be able to access in volumes necessary to satisfy their needs. Shippers on SunShine's pipeline will have access to every major supply area in the United States, and supply reliability will be enhanced. If one major gas producing region were disrupted by a natural disaster, SunShine's customers would be able to access supplies from a different region. Assuming that the construction and operation of the SunShine Pipeline will meet or exceed federal and state safety regulations, having two pipelines can be expected to reduce the chance of outage to end users, and will provide the additional summer capacity they require. We find that the SunShine Pipeline, at a minimum, will maintain delivery reliability and integrity in the state of Florida, and in critical situations will have the ability to enhance that reliability.

E. Pipeline-to-Pipeline Competition in Florida

The citizens of the State of Florida will benefit in a variety of ways from competition between natural gas transmission

pipelines. Those benefits include additional gas supplies for cleaner electric generation, potentially lower electric and gas utility rates, the economic multiplier effect within the state's economy resulting from purchases of pipeline and materials, and employment of Florida citizens, including minorities and women.

Mr. Burgin testified that, "Just the prospect of the SunShine Pipeline has brought pipeline-to-pipeline competition for natural gas service to the State of Florida". Florida Power Corporation, Peoples Gas, and others have obtained commitments from either SunShine or FGT for firm transportation service at rates lower than either pipeline project had originally proposed. Even Florida Power and Light Company, FGT's largest customer, benefitted from the threat of another pipeline. In its order entitled "Preliminary Determination on Nonevironmental Issues, issued January 15th, 1993, the FERC stated,

FP&L, which was negotiating with another project sponsor at the time of its negotiations with Florida Gas, was offered a separate lower rate cap option.

When two pipelines compete for the same load, terms and conditions and rates can be competitively negotiated by the new customers coming onto the pipeline. FPC's Witness Pollard supplied a chart showing FPC's estimated savings from the effect of competition between FGT and SunShine. From FGT's original offer for capacity on Phase III to the final offer made after the result of competition with SunShine, FPC calculated a \$111 million dollar savings. The \$111 million dollars includes \$27 million savings in laterals, \$24 million in savings resulting from a rate cap, \$51 million resulting from additional rate cap protection due to construction cost over-runs, and the final item of \$9 million results from access to lower cost gas supply areas.

Peoples Witness Grey enumerated several benefits that Peoples Gas had received as a result of its negotiations with SunShine and FGT. They were: seasonal flexibility; more direct access to additional sources of gas; reliability of pipeline capacity and supply in west central Florida; and flexibility of the use of firm capacity required at various gate stations.

The utilities that have signed precedent agreements with SunShine all concur that there are likely to be savings associated with the overall delivered cost of natural gas. Since the utilities will pass through the cost of gas directly to the end

user of gas or electricity, the customers will benefit directly from the savings.

While FGT's Witness Carpenter agrees that there are advantages to competition and identifiable benefits from the threat of competition between natural gas pipelines, he expressed concerns about fair competition. Dr. Carpenter contends that since FPC has the opportunity to carry an equity investment in SunShine, FPC's ratepayers may be harmed. At this point we believe Dr. Carpenter's concerns are theoretical and hypothetical. There is no factual evidence in this case to show that FPC's investment would harm FPC's ratepayers or necessarily create an unfair competitive environment. FPC has the option to withdraw or diminish its equity participation in the pipeline project, and thus for purposes of this need determination proceeding, we have analyzed SunShine's project based on the premise that FPC will have no equity investment in the project.

Based on its signed precedent agreement with SunShine, FPC cannot withdraw as a customer just because it decides not to become an equity partner. FPC's precedent agreement commits it to take the volumes requested for a 25 year period. The signed contract between SunShine and FPC obligates SunShine to provide the capacity and FPC to pay for such capacity. The contract is not affected by any investment position taken by FPC. Further, as we will explain below, we have determined that FPC's investment is not required for SunShine to obtain adequate financing.

We do not believe that FPC's proposed equity investment is relevant to the determination of need, but we can investigate any problems that might arise from that investment at the appropriate time and in the appropriate forum. We have several regulatory avenues available to us to ensure that FPC's equity participation in the pipeline will not create an unfair competitive environment, will not be unfairly cross-subsidized by its electric utility business, and will not harm its electric ratepayers. We can address these issues in a rate case, in our fuel and purchased power adjustment clause proceedings, or in a separate docket if FPC requests recovery of its equity investment. We also conduct continuing surveillance of FPC's electric utility business, and we can address these matters on our own motion if necessary. At this time, however, we have no facts before us that indicate that a problem exists.

We find that many benefits of pipeline-to-pipeline competition have already accrued to the citizens of the state. We expect that these benefits and others will continue if a second natural gas transmission pipeline is approved. If this pipeline, or another competing pipeline were not built, however, few of those benefits could be expected to remain.

F. Timing

FGT argues that the SunShine project is premature. FGT claims that for 1998 and 1999 the level of MDQ (minimum daily quantity) commitment ranging from 50% to 55% of SunShine's planned capacity is insufficient commitment for SunShine to be able to cover the pipeline's costs. FGT also argues that Florida utilities' planned powerplant gas conversions indicate that significant plant conversions to gas in 1995 through 1999, other than the FPC Anclote conversion, are either not likely to occur or not economical for SunShine to serve. FGT asserts that delay of the project will not harm customers since the FPC Task Force Study shows that the timing of the Anclote conversion in 1995 is not cost effective anyway. FGT states that People's additional gas capacity requirement and the Anclote conversion can be met by FGT's potential Phase IV project. Further, FGT argues that SunShine's application is premature because of "the unpredictable needs of the Polk County project."

SunShine supports the appropriateness of the timing of the project by its precedent agreements and its gas capacity requirements forecast. SunShine asserts that a delay in development of the project will eliminate prospects for a competitive market for gas transportation for the foreseeable future and permit FGT to remain the monopoly provider of transmission capacity in the state. Mr. Burgin stated; "...if the SunShine pipeline isn't put in operation... I don't see any (new gas markets in Florida) that provide 128 million a day from one customer and 47.5 million a day for another customer all at one time...".

A determination of the prudence of FPC's Anclote conversion would be appropriate in another forum at the time FPC requested recovery of the conversion costs. It is not relevant here. Furthermore, FGT's concern that the uncertainty of gas prices could cause the Anclote conversion to be cost ineffective is not

supported by the forecast information available regarding gas and its relationship to residual oil, the primary fuel alternative to gas.

SunShine has shown that it has successfully contracted 53.8% of its 1999 capacity at this time. In addition, signed letters of intent for 1999 indicate that the pipeline would achieve 88.2% of capacity, assuming the letters result in contracts. Beyond this, negotiations are currently underway between SunShine and Seminole Electric Cooperative for firm gas capacity, which according to the 1992 Ten Year Plan is scheduled to add 440 Megawatts of electric generating capacity in 1999. Seminole Electric has not yet requested a determination of need for those plants, but this could potentially add 73.8 Mcf/day capacity requirement in 1999. If this amount is added to both the contracted amounts and the amounts associated with the letters of intent, the capacity of the pipeline would be fully subscribed in 1999. We believe the timing of the project is appropriate, because it would allow SunShine the opportunity to secure full capacity of its planned pipeline in 1999.

FGT's claim that SunShine's application is premature because of "the unpredictable needs of the Polk County project" is not well supported by the record in this case. Eric G. Major, Director of Energy Supply Design and Construction for FPC, testified at the hearing that he did not expect the question of Environmental Protection Agency (EPA) jurisdiction over electric generating plant's cooling ponds sites, the concerns of Southwest Florida Water Management District (SWFWMD) staff over the amount of water needed for cooling, or the possibility of U. S. Army Corps of Engineers asserting jurisdiction over the site's wetlands, to place the project in jeopardy.

As we mentioned above, Dr. Carpenter proposed that Phase IV could be used to provide the gas capacity requirements of the Anclote facility and Peoples Gas. By acknowledging the need for Phase IV to serve Anclote, FGT has highlighted the fact that the capacity addition necessary to serve near-term gas capacity requirements involves a choice between allowing a new competitor to serve that demand, or continuing to allow the current provider to expand its existing facilities. At this time, most other large capacity gas-fired additions sufficient to justify a new pipeline are not due to come on line until 1999-2001. Therefore, it is our view that a delay or denial of the need for the SunShine pipeline would significantly delay the emergence of direct pipeline-to-

pipeline competition in Florida. We believe that pipeline-to-pipeline competition in Florida will have many strategic benefits for the state, and we do not wish to see it delayed any longer. We therefore find that the timing of each phase of the proposed SunShine pipeline project is appropriate.

G. Consequences of Delay

SunShine asserts that the SunShine Pipeline will bring more natural gas into the state, and a delay or denial of a determination of need could force gas consumers to rely on less attractive energy alternatives from both a cost and environmental perspective. Those alternatives, especially for power plants, are coal and heavy oil, neither of which is as environmentally benign as natural gas. Natural gas will assist the utilities in complying with the Clean Air Act, and will probably be more economical than installing scrubbers or taking other alternatives to comply with the Act.

Section 403.9422(1)(b), Florida Statutes, directs us to consider the need for abundant, clean-burning natural gas to assure the economic well-being of the public. If the SunShine pipeline is constructed, additional natural gas transportation capacity will be available. With additional capacity available, electric utilities, independent power producers, and cogenerators may determine that there exist adequate volumes of natural gas combined with sufficient transportation capacity to provide an economical and environmentally sound option for future plant construction.

Dr. Carpenter testified that he did not believe the customers who were counting on SunShine's capacity would be harmed if the SunShine project were delayed until the late 1990's. Peoples Gas System's witness Grey sees the situation differently. When Mr. Grey was asked whether there were any adverse consequences to Peoples if the SunShine Pipeline was delayed or denied, he responded as follows:

Yes, there would be. At this point in time, Peoples Gas is counting on the completion of the SunShine Pipeline. We have made our commitment and we are geared up to utilize that capacity when it comes on line in 1995, and without the SunShine Pipeline capacity being available at that time, Peoples Gas would experience a significant and potentially serious shortfall in firm capacity in the summer months in 1995 and beyond.

Chesapeake Utilities' position is that delay or denial of this project may impair its ability to meet future demand on its system.

FPC's witness Pollard stated that if the SunShine project was unsuccessful, FPC may have seen the last opportunity any time in the near term to build a competitive pipeline. He stated that the project is significant to FPC because of the value FPC places on a competitive pipeline. FPC hopes to receive benefits from pipeline-to-pipeline competition that will enhance its ability to buy the lowest priced natural gas.

Mr. Burgin and Mr. Pollard agreed that an anchor load or critical mass is necessary to entice investors to expend the development dollars required to start a project of this magnitude. Without an anchor load, the chance of a greenfield pipeline ever being built is small. They stated that if SunShine is not constructed at this time, it is unlikely that another attempt will be made to build a second pipeline in the State of Florida. Mr. Burgin did not foresee a time when the Florida market will have one customer requiring 128 MMBtu per day and another requiring 47.5 MMBtu per day at the same time. Even Dr. Carpenter stated that he did not know of any new project in Florida through the year 2010, other than the Polk County units, that would require transportation capacity equal to or in excess of 215 MMBtus per day. Mr. Burgin believes that if SunShine is not in place soon, the window of opportunity to build a competitive pipeline in Florida will close. Independent power producers and electric generators will be forced to make commitments for gaseous fuel from other suppliers.

SunShine's anchor load consists of FPC, Peoples, Chesapeake, and the City of Lakeland. If SunShine is denied or delayed, these utilities will have to find alternative means to obtain the capacity required. Delaying or denying SunShine may result in Florida shippers being forced to rely on the existing monopoly pipeline for natural gas transportation capacity at least through 2010.

Mr. Burgin identified several other consequences if the pipeline is not constructed:

SunShine is an approximate \$600 million project. As this amount of expenditure disseminates into the local economy, it should have a multiple effect. The construction of the SunShine Pipeline would bring substantial economic benefits to the state of Florida

over the short and long terms. The loss of revenues into the State of Florida necessitated by cancelling SunShine's proposed expenditures on labor and materials would quite obviously be substantial. In addition, it is contemplated that a new operating company would be established for SunShine with a permanent Florida residence. At a time when both the state and our nation most need new economic boosts and job creating opportunities, it would be very unfortunate to shut down our plans for constructing the SunShine Pipeline.

Based upon the above discussion, we find that SunShine, its customers, and the citizens of the State of Florida could face adverse consequences if SunShine is delayed or denied.

II. The Pipeline Project to fill the Need for Additional Gas Transmission

For the reasons described above we have determined that the State of Florida requires an additional natural gas transmission pipeline at this time. We will now describe our reasons for determining that the SunShine Pipeline is the appropriate project to fill that requirement.

A. Commencement and Terminus of the Pipeline

As shown on Exhibit A of SunShine's Application for Determination of Need, the proposed SunShine mainline extends from a point in Okaloosa County, Florida to southwest Polk County, Florida. From this terminus branch two laterals. One lateral consists of five-miles of sixteen inch pipe shown to serve "Power Park", and the other lateral consists of 82.5 miles of twenty inch pipe to serve "Cypress Energy".

SunShine Pipeline Partners has four signed precedent agreements for capacity on the new pipeline. Signed precedent agreements have been obtained from Florida Power Corporation, Peoples Gas System, Inc., the City of Lakeland, and Chesapeake Utilities Corporation. On the strength of these agreements, SunShine has demonstrated that the proposed mainline extending from Okaloosa to FPC's Polk County units is appropriate. At this time, however, there are no signed precedent agreements to support any mainline past "Polk" or any laterals other than for Peoples and Florida Power as shown on Exhibit A. If SunShine constructed main

line and laterals that did not connect to any customer, no return would be made on investment dollars expended.

We do not expect that SunShine would construct needless mainline and laterals; nevertheless, we believe that some protection should be provided to SunShine's existing shippers and potential shippers from the risk of undersubscription and consequent stranded investment.

SunShine Pipeline is currently in continued negotiations with prospective shippers. Mr. Burgin testified that the ability to attract shippers becomes easier as regulatory milestones are passed. If contracting for shippers would be somewhat easier once a pipeline is approved, we do not wish to limit SunShine's ability to acquire additional capacity commitments by withholding approval of laterals designed to accommodate those commitments. We believe the appropriate way to protect the shippers from stranded investment in the pipeline is to condition approval of laterals on SunShine acquiring signed precedent agreements before the laterals are constructed. We therefore find the commencement, terminus, and laterals shown on Exhibit A to be appropriate, on the condition that SunShine must obtain signed precedent agreements to justify construction.

B. The route and location of associated facilities

We find that SunShine has 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. The specific location of compressor stations and other affiliated facilities, and the sufficiency of the information concerning the route or planned alternative routes will be addressed by the Department of Environmental Regulation (DER).

Chapter 403, Florida Statutes, requires the DER to set the location of natural gas transmission pipeline corridors. In the siting process our responsibility regarding location of lines and associated facilities is limited to the determination of the appropriateness of the commencement and terminus of the transmission line. We do not have the jurisdiction to determine the location of the corridor or any alternative corridor proposed by the pipeline. After the pipeline is sited, however, we have continuing jurisdiction of the safety of the pipeline by the authority of Section 368.01 through 368.061, Florida Statutes, The

Gas Safety Law. See our discussion of the safety of the proposed pipeline for additional information.

Basically, we are to determine the start and finish line of the pipeline, and DER is to determine the route to get there. For purposes of our need determination, we find the commencement and terminus to be appropriate, with the condition mentioned above.

SunShine provided a schematic of the project illustrating proposed pipeline lengths and diameters, locations of compressor stations, and receipt and delivery points. The detail of the proposed route and associated facilities provided is sufficient for our determination of need.

C. Pipeline Diameter, Configuration, and Cost

ANR used a computer model called "TG Net" to design the SunShine pipeline project. This model is well used in the transmission industry to simulate flow studies. TG Net allows the user to manipulate pipeline diameter and compression to determine the most economical and efficient way of moving a particular volume of gas. The parties have agreed, and we find, that SunShine has selected the appropriate pipeline diameter and configuration for its proposed pipeline.

SunShine submitted 569 pages of detailed cost data for the proposed SunShine Pipeline. The cost data include estimates of mainline, meters, laterals, transformers, gate stations, compressor stations, rights-of-way, communications equipment, labor, tools, spare parts, electronic measurement devices, and other component equipment. When Mr. Lucido was asked whether this data was similar in detail to what is normally filed at the federal level, Mr. Lucido stated that the data are more detailed. Mr. Lucido stated that the average cost per-mile for pipeline construction in the United States was probably in the vicinity of \$900,000. He qualified his response by stating that the costs depend on where the pipeline will be built, the length of the pipeline, and special environmental considerations. Mr. Lucido calculated that the projected per-mile cost of the SunShine Pipeline in 1994 dollars is approximately \$955,000 per mile. When he was asked how the cost figures were developed, he offered the following response:

First of all, our own experience (ANR) in building pipeline, compressor stations and meter stations. Secondly, we get a lot of field reconnaissance on the

proposed route by helicopter, by foot, by car, to study the terrain and the conditions. Thirdly, we sought the advice of contractors who have done work in Florida before. They came with us and walked around. And through those ways we were able to put together the cost estimates that we did, and we think those cost estimates are pretty reliable.

The parties agree, and we find, that SunShine's construction cost estimates are reasonable for planning purposes.

D. Upstream pipeline capacity

We find that sufficient capacity exists, and will continue to exist, on pipelines upstream from SunShine to reasonably ensure that natural gas supply can be transported to SunShine in sufficient quantities to meet its design capabilities.

The SunShine Pipeline has been designed to connect to the SITCO interstate pipeline. The SITCO Pipeline will be the first link in the upstream transportation of the SunShine Pipeline shipper's gas; therefore, all of the volumes reaching the SunShine Pipeline will be transported through SITCO. SITCO is approximately 140 miles long and estimated to have essentially the same capacity as SunShine. SunShine expects that SITCO will interconnect with Chandeleur Pipeline Company (Chandeleur) at a point in Pascagoula, Mississippi, and extend eastward through Alabama, terminating at the point of interconnection with SunShine in Okaloosa County, Florida. The SITCO Pipeline will be regulated by FERC. As of the date of the hearing, SunShine had not received FERC approval to construct the pipeline.

SunShine's shippers have subscribed for capacity on both SunShine and SITCO. Since SunShine connects directly with SITCO, customers have no option except to use capacity on SITCO, but they do have the option to use various transportation pipelines upstream from SITCO. SITCO is projected to interconnect with the facilities of Gateway Pipeline Company at a point near Mobile Bay, the facilities of Transcontinental Gas Pipeline Line Corporation's (Transco) Mobile Bay Pipeline Company (Transabama) north of Mobile as well as Chandeleur. The systems of Gateway and Chandeleur both interconnect with United Gas Pipe Line Company's (United) system and the Transabama system interconnects with the interstate system of its parent, Transco.

While SunShine's shippers will have access to a number of upstream pipelines through various interconnects with SITCO, capacity must be available on those pipelines for SunShine's shippers to access. With respect to SITCO, we can clearly conclude that ample capacity exists for SunShine's shippers. We cannot conclude so clearly that there is ample capacity upstream from SITCO; however, SunShine's witness Hrehor has provided some estimates and theory to support his premise that ample capacity will be available at the necessary time.

Mr. Hrehor explained that most pipelines are designed to carry away the total supply from a certain area. In other words, pipelines that are directly connected to a supply area are designed to carry the maximum amount of projected gas reserves that can be produced in a given day from that area. Mr. Hrehor provided the following example of the HIOS system (High Island Offshore System):

When the system was designed, it was designed in such a manner that there were a given amount of reserves and deliverability there. And the pipeline then has the ability to carry that away, so that if a customer -- say if SunShine, wanted to go out there and purchase that gas, by virtue of the fact that the pipeline was designed to carrier [SIC] that gas away, then the space is there for him to move that gas.

Mr. Hrehor stated that in his professional opinion, SunShine's shippers will be able to access upstream capacity for the initial 250,000 MMBtu per day. Mr. Hrehor believes that if additional capacity is needed in the out years to move the rest of the gas of SunShine, then the pipelines would expand if necessary.

We find that SunShine has adequately demonstrated that its shippers will have access to upstream capacity in amounts necessary to transport the volumes of SunShine's designed capabilities at the in-service date of the pipeline and thereafter. If SITCO is not approved by FERC, however, there will be no way for SunShine's shippers to reach that upstream capacity. Therefore, we will make our determination of need contingent either upon regulatory approval of SITCO, or SunShine's assurance of access to adequate upstream capacity through some other source.

E. Financial viability of the pipeline project

At this time, the three equity partners in the SunShine Pipeline Partnership are The Coastal Corporation, Transcanada Pipelines Limited, and Florida Power Corporation. Coastal, acting through its subsidiaries, is a large, diversified energy holding company. The subsidiary involved in the SunShine project is Coastal Southern. Transcanada owns and operates Canada's only transcontinental natural gas pipeline. Through equity ownership, Transcanada also participates in cross-border lines linked to the Canadian main line as well as affiliated natural gas pipelines in the U.S. FPC is an electric utility serving approximately 1.2 million customers in Florida. FPC is involved in the generation, purchase, transmission, distribution, and sale of electricity.

SunShine asserts that the SunShine general partners are substantial, well capitalized corporations capable of obtaining the necessary financing for the pipeline project. Mr. Burgin testified that precedent agreements between SunShine and its shippers that are currently signed, as well as agreements with other shippers that he anticipates SunShine will sign in the future, will adequately support the financing of the pipeline on a "project financed" basis. That is, lenders will provide financing based on the financial strength of the shippers and the revenue stream associated with the volumes of gas the shippers have subscribed.

Mr. Bradley testified that SunShine intends to start the process of pursuing debt financing approximately six months before actual construction is scheduled to begin. He explained that this is not unusual timing for pipeline projects, because lenders generally will want to know the terms of the regulatory approvals, the terms of the transportation contracts, the terms of any upstream transportation and gas supply contracts entered into by project customers (shippers), and the terms of construction contracts and other ancillary contracts associated with the physical construction of the project before they will consider specific financing proposals. He noted that it is generally not until just prior to construction that these terms can be specifically identified.

Although FGT argues that SunShine has not proven that it can obtain the necessary financing for its pipeline project, FGT has not provided any evidence in the record to demonstrate that SunShine can not secure the necessary financing. In fact, the only testimony presented by FGT's witness, Dr. Carpenter, regarding

financing concerned the issue of FPC's role as an equity investor in the project.

Mr. Burgin testified that it is FPC's role as a shipper, not its role as an equity investor, that is necessary for SunShine to secure financing for the project. He stated that even if FPC withdrew as an investor, it would still be committed as a shipper on the pipeline. He also stated that other investors have expressed an interest in participating in the pipeline project. FPC's witness Pollard confirmed that if FPC exercised its option to reduce its equity position, it is, and will be, contractually committed to the pipeline under its precedent agreement.

Dr. Carpenter admitted that FPC's precedent agreement committed it to buy gas transportation, whether or not it maintains its equity position. Dr. Carpenter also admitted that had it not been for FPC's proposed equity participation in the project, he would not have testified in this case. Moreover, he stated that "if there were no equity position that created this conflict and avenues for cross subsidy, I would not have a problem at all with certificating a project under competitive circumstances."

We do not find evidence in the record to refute SunShine and FPC's position that the partnership can secure the necessary financing for the pipeline project. We find that SunShine can secure the appropriate financing for the project with or without FPC as an investor.

F. The Safety Of The Pipeline Project

1. Safety Jurisdiction

Since 1967 the Commission has had exclusive and preemptive authority over the safety of all intrastate natural gas pipeline systems by the provisions of sections 368.01-368.061, Florida Statutes, the Gas Safety Law of 1967. Section 368.05(1) states;

The jurisdiction conferred upon the commission hereby shall be exclusive of, and superior to, that of all other boards, agencies, political subdivisions, municipalities, towns, villages, or counties; and in case of conflict therewith, all lawful safety acts, orders, rules and regulations of the commission shall in each instance prevail.

To implement our statutory authority, we have adopted extensive rules that incorporate all the federal pipeline standards and regulations of Parts 191 and 192, Title 49, Code of Federal Regulations (49 CFR). See Chapter 25-12, Florida Administrative Code. We reviewed and updated our natural gas pipeline safety rules in 1992. Those rules incorporate design, fabrication, installation, inspection, and testing and safety standards for construction, operation and maintenance of natural gas pipeline systems. They are stricter than federal regulations in several areas. We have the police power of the State of Florida at our disposal to enforce our own safety requirements, and we are the certified agent of the United States Department of Transportation for the enforcement of the federal pipeline regulations.

Consistent with the provisions of the Gas Safety Law, section 403.9422, Florida Statutes, directs us to consider the safety and integrity of a proposed pipeline in a determination of need proceeding. We have considered the safety of the proposed SunShine pipeline in great detail, to ensure that every facet of the pipeline will be designed and constructed in full compliance with applicable state and federal laws and regulations.

Our review of the safety and integrity of the proposed pipeline focuses upon the design, construction and maintenance of the system. The safety regulations that we enforce do not address the environmental effects of the pipeline, and we consider the location of the pipeline only as it relates to the pipeline's design, construction, and maintenance. The environmental effects of the pipeline are the responsibility of the Florida Department of Environmental Resources. The structural integrity and safety of any non-pipeline facilities that must be modified for the pipeline to be built are the responsibility of the appropriate local governmental agencies and property owners. Local agencies, including West Coast Water Supply Authority, should negotiate with SunShine for the best possible location of the pipeline with respect to their property and facilities. Similarly, Hernando County should negotiate with SunShine to resolve its concern that emergency response personnel be adequately trained.

After the exact location of the pipeline has been determined by DER and the Pipeline Siting Board, we will enforce compliance with the provisions of 49 CFR, Part 192, and Chapter 25-12, Florida Administrative Code, to ensure that impacts on the parties' facilities from the construction, operation and maintenance of the pipeline are minimized, as the law requires.

2. The Safety of the Pipeline

We find that the proposed design, operation and maintenance procedures of SunShine's natural gas pipeline will provide a prudent and reasonable level of safety for the public. The pipeline will comply with all federal and state pipeline safety requirements, and the proposed Operation and Maintenance procedures meet or exceed all pipeline safety requirements.

It is clear from the record that SunShine possesses the requisite resources and expertise to build and operate a safe pipeline. In its application for a determination of need, in its post-hearing brief, and through the sworn testimony of its witness, Mr. Lucido, SunShine has asserted that it will adhere to all applicable state and federal laws and regulations in the design, construction and maintenance of the pipeline. SunShine provided several volumes of the design, construction, operating and maintenance procedures of ANR Pipeline Company, the company that will construct the pipeline. We have reviewed these procedures. We find that they are comprehensive, and they exceed minimum standards.

ANR built its first pipeline in 1949, and currently operates over 12,000 miles of pipeline. There exist in this country over 300,000 miles of high pressure natural gas transmission lines like the one SunShine would build. ANR's safety record in the operation and maintenance of natural gas pipelines is better than the pipeline industry average. ANR will exceed American Petroleum Institute (API) 5L specifications for the testing and design of the pipeline, and it will hire an independent inspector to witness all testing conducted in the pipe manufacturing plant to ensure that the pipe meets API's and ANR's specifications. Expert inspection teams will inspect all crafts involved in the project, and each craft inspector will have stop work authority. ANR will comply with all state regulations regarding drug testing for employees performing safety related functions. A welding inspector will inspect all welds joining pipeline segments. Although it is not required by federal law, ANR will X-ray all welds used in the construction of the pipeline. Also, ANR will use in-line inspection devices, "smart pigs", that exceed state and federal regulations.

The higher the population density near the pipeline, the greater are the safety margins that will be used in the design of the pipeline. The maximum allowable operating pressure for the

pipeline will be 1,200 psig (pounds per square inch gauge), while the internal pressure that would cause the pipe to rupture is 70,000 psig. The tensile strength of the pipeline will be 80,000 psig.

3. Cathodic Protection

Natural gas transmission pipelines are required by law to operate a cathodic protection system along the pipeline to prevent pipeline corrosion. The current mandatory federal corrosion control requirements have been in use since 1971 (cite). DER and West Coast contend that a cathodic protection system on the SunShine pipeline would pose a significant safety threat to other underground metallic structures. We disagree. Because of the risks of possible corrosion leaks in gas pipelines, corrosion control and cathodic protection on natural gas pipelines is in the public interest. It is the lack of cathodic protection that would cause a major safety risk for the public.

For decades the law has required that cathodic protection systems minimize any effects on adjacent underground metallic structures. We fully expect, and will require, that SunShine design and operate its cathodic protection system to comply with that law. We direct interested parties' attention to Rule 25-12.051, Florida Administrative Code; Rule 25-12.052, Florida Administrative Code, Criteria for Buried or Submerged Steel Pipelines; and Part 192, Title 49, CFR, Appendix D - Criteria for Cathodic Protection and Determination of Measurements.

Mr. Lucido testified that the life expectancy of a gas pipeline is unlimited if the pipeline is installed and maintained properly. He also testified that ANR has a staff of corrosion control engineers who have designed corrosion control facilities for most of its 12,000 mile pipeline network. Mr. Lucido stated that ANR "will employ proper design and planning in the development of its cathodic protection system to ensure that it eliminates or minimizes any effects on other underground metallic structures." Also, ANR will employ technicians and skilled workers with the qualifications and training to properly operate a cathodic protection system. In fact, Mr. Lucido testified that he was unaware of any major damage claims against ANR for any damage to other underground structures along its 12,000 miles of existing cathodically protected pipelines.

The SunShine Pipeline system will be built, operated, and supervised under the same stringent standards that apply to all existing natural gas pipelines in the state. We are confident that the system will be designed, constructed and maintained in a manner that will reasonably insure the safety of people and property.

4. DER's Concerns

In its post-hearing brief, DER stated that its staff will be frequently turning to the Commission's staff for guidance and assistance during DER's siting proceedings and post certification review. DER stated:

DER believes there is a need for the SunShine pipeline and requests that the determination of need include the following safety provision:

1. For the life of SunShine's natural gas pipeline, it shall be constructed and maintained in compliance with Chapter 368, F.S., Rule Chapter 25-12, F.A.C., and all applicable federal statutes and regulations, as amended.
2. The PSC staff shall coordinate, as necessary, with DER and other statutory parties on matters within the PSC's jurisdiction during the site certification proceedings and postcertification review.
3. The PSC staff will oversee any contracted studies that pertain to matters within the jurisdiction of the PSC.

We do not believe that we should include DER's specific requests in our determination of need decision. We have already determined that SunShine will comply with all applicable federal and safety regulations. We have included and addressed all issues relevant to the safety of the proposed pipeline in our decision. The doctrine of administrative finality precludes us from readdressing those issues in another forum. Furthermore, our determination of need, including our determination of the safety of the pipeline, is binding on all parties to the siting process; and our safety jurisdiction under the Gas Safety Law is jurisdiction exclusive of and superior to that of the DER siting authority. It is not a subset of the siting process or postcertification review under the Pipeline Siting Act. Also, we do not believe that we have the authority to coordinate issues, oversee studies or review

the location of the pipeline in the siting process. Those activities fall within DER's jurisdiction. That being said, however, we are certainly willing to have our staff advise and assist DER staff as much as possible with respect to matters within our regulatory jurisdiction and expertise, as those matters relate to the decisions we have made here.

5. Odorization

At this time, state or federal law does not require pipelines of this design and location to odorize all gas transported. Our Rule 25-12.055, Florida Administrative Code, specifically addresses odorization of natural gas in distribution systems, not transmission systems. We believe, however, that SunShine should odorize all gas transported on its pipeline, and we intend to review our rules to address odorization of gas on transmission pipelines. Since the pipeline will be near structures that will have human occupancy and areas that are accessible to the public, the gas should be odorized as a safety precaution. We therefore direct SunShine to odorize gas transported so that the odorant in the gas is readily detectable at concentrations of gas and air mixture of one-fifth of the lower explosive limit of the transported gas. Odorization will enhance the public's ability to detect and report possible hazardous gas leaks. Other natural gas systems that we regulate are required to odorize their gas, and we believe it is appropriate to impose the same requirement on SunShine.

III. Conclusion

For the reasons stated above, we find that there is a need for a second natural gas pipeline into the state of Florida at this time; and we find that, with certain conditions, the SunShine Pipeline project as shown in Exhibit JPL-1 is the appropriate project to fill the need.

Of the several parties that intervened in this proceeding, FPC, Peoples Gas, Chesapeake and Florida Cities all supported the need for a second transmission pipeline system. Only two parties, FGT and West Coast, took the position that the Commission should not find a need for the SunShine project. The SunShine pipeline will be FGT's only competitor in Florida's gas transmission market, and West Coast fears for the integrity of its defective water

transmission system. The other intervenors did not take a position.

The record indicates that SunShine will construct and operate a safe, reliable pipeline; SunShine will provide additional natural gas to the state through additional capacity; SunShine has chosen the appropriate origin and terminus of its pipeline; and SunShine has demonstrated that benefits will accrue to the shippers and citizens of the state if SunShine is granted a certificate of need.

As we stated in Order No. 25805, Docket No. 910759-EI, February 25, 1992, Determination of Need for FPC's Polk County Units, "Construction of a second natural gas pipeline into peninsular Florida will provide a variety of strategic benefits for the state." Not only will SunShine enable the state to obtain greater supplies of clean burning natural gas, these supplies will be available through a variety of supply areas. With greater supplies of gas available through additional capacity, Florida's electric generators may view natural gas as a more viable fuel option. Increased use of natural gas for electric generation will assist utilities in complying with the Clean Air Act.

SunShine has satisfactorily demonstrated a need for its proposed pipeline through its precedent agreements and gas capacity forecasts. It may be true that FGT could expand its system to meet the need identified, but we are convinced that the citizens of the state can and will benefit from the existence of two pipelines in the state. Competition between FGT and SunShine will benefit the shippers and the end users. The record indicates that the threat of competition has resulted in better service or lower prices or both. Shippers will likely continue to negotiate better terms and conditions, leading to lower fuel costs, only if the pipeline is built. Since fuel costs are collected dollar for dollar through either the purchased gas adjustment cost recovery clause or the fuel and purchased power cost recovery clause, the ultimate consumer will directly benefit from the better terms and conditions.

The SunShine project is expected to cost approximately \$600 million dollars in labor and materials. SunShine anticipates hiring local labor and purchasing materials and pipeline from Florida businesses where possible. We appreciate and encourage SunShine's efforts to utilize sources within our state in building the pipeline. The dollars expended on the SunShine Pipeline will disseminate through the state, giving a much appreciated boost to

the Florida economy. Our citizens will directly benefit from the employment opportunities and purchases from Florida businesses.

We further encourage SunShine to employ qualified minorities and women, and to maximize the participation of women-owned and minority-owned Florida businesses in the construction and operation of the pipeline. We also request that SunShine provide us reports on a six-month basis of its progress in the employment of minorities and women, and women-owned and minority-owned Florida businesses in the SunShine project.

The benefits that have recently accrued to Florida shippers and utilities occurred because of the threat that another pipeline would be brought to Florida. To assure that those benefits continue to accrue, SunShine should be approved at this time. Delay of approval will force shippers to contract with the established monopoly pipeline company, FGT.

We believe that approving SunShine's petition is in the public interest. To assure that the SunShine project promotes safety, efficiency, and competition, however, we will place the following conditions upon the certificate of need:

SunShine shall odorize all gas in its system. To enhance the public's ability to detect and report possible hazardous gas leaks, SunShine shall odorize all gas transported. The odorant in the gas shall be readily detectable at concentrations of gas and air mixture of one-fifth of the lower explosive limit of the transported gas.

SunShine shall file all signed precedent agreements with the Commission. SunShine shall file with the Division of Electric and Gas all signed precedent agreements obtained prior to, during, and subsequent to construction. Section 368.105(2), Florida Statutes requires the Commission to ensure that all rates and services made, demanded, or received by any natural gas transmission company are just and reasonable and not unduly discriminatory. To enable us to make such a determination, SunShine must be required to file all signed precedent agreements. Requiring such filings will also allow us to monitor the following condition.

SunShine shall only build certain laterals or mainline when it has obtained adequate supporting contracts. SunShine should be allowed to construct laterals and mainline past "Polk" (as shown on Exhibit JPL-1) only when signed precedent agreements have been obtained to justify such construction. Approval of SunShine's need determination carries with it the weight of taking private property for public use because a finding of need is admissible as evidence in an eminent domain proceeding. Allowing SunShine to construct needless mainline or laterals could result in the taking of land for facilities which serve no purpose. Additionally, construction of such facilities could result in substantial stranded investment. Since we are requiring SunShine to file all precedent agreements with us, we will be able to deal with any particular problems that may arise with the construction of laterals on a case by case basis.

SunShine must have adequate access to upstream capacity. We approve the need for the SunShine project contingent upon FERC approval of the SITCO pipeline or another upstream pipeline of similar design capacity, or SunShine otherwise assures us that its customers will have adequate access to interstate gas supplies. As currently designed, SunShine directly connects with SITCO and does not connect to any other upstream pipeline. Construction of SunShine prior to approval of SITCO or another upstream pipeline of similar design capacity or access to an existing upstream pipeline could result in stranded investment.

SunShine's owners must bear any risk of under recovery of its investment or earnings. SunShine is not 100 percent subscribed at this time. Although SunShine's Witness Burgin believes that SunShine will be fully subscribed prior to construction, the signed precedent agreements do not fully support that belief at this time. Because SunShine is not fully subscribed, we will condition our approval of the need to protect current and future customers. This condition is discussed more fully below.

If the pipeline is under subscribed, SunShine might request an increase in rates and charges to recover the losses incurred as a result of the under subscription. We do not believe that

SunShine's shippers should bear the cost of unutilized or under utilized facilities. FGT recommended that we place an "at risk" provision on SunShine's certificate of need. That "at risk" provision requires that the shareholders bear the cost of any under subscription.

We agree that the shippers should be protected from under subscription, but we also believe that SunShine's contracts themselves provide some level of protection to its contracted shippers. All the signed precedent agreements obtained by SunShine provide a cap on rates for the 25 years the contracts are in effect. These rate caps limit SunShine's ability to arbitrarily increase the rates charged to its existing shippers. Assuming SunShine abides by its contracts, the rate caps in themselves provide protection from under subscription.

While the rate caps do provide some level of protection for SunShine's existing shippers, the precedent agreements do not forbid SunShine from petitioning the Commission to increase its rates beyond the level in the contract. While there would be a legal question regarding the ability of the Commission to abrogate the contracts by increasing rates, the shippers should be entitled to know that increases beyond the specified rate caps would be prohibited.

We are most concerned about future customers. Since SunShine's future customers may or may not be provided the same rate cap provisions, we believe that some mechanism should be in place to protect them. Although Section 368.015(2), Florida Statutes, requires that the transmission company's rates must be equitably applied to each class of customers, SunShine might argue that future customers were not similar in class. SunShine's owners are placed on notice that any underrecovery resulting from undersubscription will be the burden of the owners. This requirement does not preclude SunShine from increasing its rates specified by provisions in its contracts. However, if the maximum allowable charges in the contracts do not yield the desired return, the owners will bear the shortfall. Further, rates offered to future shippers shall not be designed to compensate for any undersubscription. As required by Section 368.105(2), Florida Statutes, the rates charged shall be fair and reasonable and not preferential, prejudicial, or unduly discriminatory.

With the above conditions, we hold that there is a need for the SunShine Pipeline project. It is therefore,

ORDERED by the Florida Public Service Commission, as explained in the body of this order, that the Application for a Determination of Need for an Intrastate Natural Gas Transmission Pipeline by SunShine Pipeline Partners is approved with the conditions described above. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 2nd day of July, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MCB:bmi

by: Kay Flynn
Chief, Bureau of Records

Commissioner Johnson concurs in the Commission's decision as follows:

I concur with my fellow Commissioner's decision determining the need for the Sunshine Pipeline Project and encouraging Sunshine's efforts to hire minorities and women and to contract with minority-owned and women-owned business enterprises. We carefully considered the benefits of the pipeline project to the citizens of Florida those benefits clearly included the economic benefits to the State's economy from purchases of pipeline and materials, and employment of Florida citizens.

I believe that, historically, minorities and women have not been the direct participants or beneficiaries of economic development opportunities or business enterprises in the regulated utility industry. In the instant case, the Commission has taken the first step towards ensuring that minorities and women are active participants in the natural gas pipeline industry.

Currently, Florida law does not appear to directly authorize the Commission to require public utilities to make conscious efforts to hire and contract with minority-owned and women-owned business enterprises. More specifically, there is no direct statutory guidance on the issue. The Commission can exercise "only

those powers granted by statute or by necessary implication". See Deltona Corporation v. Mayo, 342 So.2d510, 512 (Fla. 1977). Thus, the Commission may need specific legislative authority to affirmatively require public utilities to make conscious efforts to hire and contact with minority-owned and women-owned business enterprises. Nevertheless, the Commission's expression of support for Sunshine's and other utilities efforts to hire minorities and women is significant.

It should be noted that several states, such as California and New York, as well as Washington, D.C., have adopted specific legislation to encourage hiring of minorities and women by public utilities. For example, California's Public Utilities Code, Section 8283, states:

(a) The commission shall require each electrical, gas, and telephone corporation with gross annual revenues exceeding twenty-five million dollars (\$25,000,000) and their commission-regulated subsidiaries and affiliates, to submit annually, a detailed and verifiable plan for increasing women, minority, and disabled veteran business enterprise procurement in all categories.

(b) These annual plans shall include short- and long-term goals and timetables, but not quotas, and shall include methods for encouraging both prime contractors and grantees to engage women, minority, and disabled veteran business enterprises in sub-contacts in all categories which provide subcontracting opportunities. Cal. Pub. Util. Code Sect. d. 4, Ch. 7.

Additionally, the New York Code, Chapter 43-A, Article 5, Title 1-A, Section 1020-v, sets similar goals, stating:

(2) The [Power] authority shall establish measures, procedures and guidelines to ensure that contractors and subcontractors undertake meaningful programs to employ and promote qualified minority group members and women. Such procedures may require after notice in a bid solicitation, the submission of a minority and women workforce utilization program prior to the award of any contact, or at any time thereafter, and may require the submission of compliance reports relating to the operation and implementation of

any workforce utilization program adopted hereunder. The authority may take appropriate action, including the impositions of sanctions for non-compliance to effectuate the provisions of this section and shall be responsible for monitoring compliance with this title.

(4) In order to implement the requirements and objectives of this section, the authority shall establish procedures to monitor contractors compliance with provisions hereof, provide assistance in obtaining competing qualified minority and women-owned business enterprises to perform contracts proposed to be awarded, impose contractual sanctions for non-compliance, and take other appropriate measures to improve the access of minority and women-owned business enterprises to these contracts. N.Y. Pub. Auth. Law Sect. 1020-v.

I applaud the efforts of the other states and this Commission. I firmly believe that additional racial and gender diversity will serve to increase the level of expertise and competition within the industry, and ultimately lead to a more cost-effective market and more effective work force to the benefit of all Floridians.

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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 sewer

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utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

ATTACHMENT A
RESPONSES TO
FLORIDA GAS TRANSMISSION COMPANY'S
PROPOSED FINDINGS OF FACT

I. Introduction

1. SunShine Pipeline Partners is a Florida General Partnership as of May 5, 1993, between Coastal Southern Pipeline Company ("Coastal Southern"), a second tier subsidiary of the DMV Coastal Corporation ("Coastal"), Power Energy Services Corporation ("PESCORP"), a special purpose and wholly owned subsidiary of Florida Power Corporation ("FPC"), and TCPL SunShine Limited ("TCPL"), a subsidiary of TransCanada Pipelines, Limited ("TransCanada"). (EXH 22, SunShine Partnership Agreement; TR 36)

Accept

2. The SunShine Pipeline Partnership was formed for the purpose of constructing, owning and operating an intrastate natural gas pipeline system to serve the State of Florida. (Id. at p. 1)

Accept

3. SunShine Interstate Pipeline Partners is a Florida General Partnership as of May 5, 1993, between ANR Southern Pipeline Company ("ANR Southern"), Power Interstate Energy Services Corporation ("PIESCORP"), a wholly owned and special purpose subsidiary of FPC, and TCPL SunShine Interstate Limited ("TCPLI"). (EXH 22, SITCO Partnership Agreement)

Accept

4. The SunShine Interstate Pipeline Partnership was formed for the purpose of constructing, owning, and operating a pipeline system to serve the states of Mississippi, Alabama, and Florida. (Id. at p. 1)

Accept

5. The SunShine Pipeline Partners propose to construct in Florida an intrastate natural gas pipeline ("the SunShine

Pipeline"), which, if approved, would commence at a point in Okaloosa County and extend east and south in order to serve anticipated markets in peninsular and central Florida. (TR 42)

Accept

6. The initial facilities for the proposed SunShine Pipeline for 1995 will consist of approximately 502 miles of 30-inch mainline pipe and numerous lateral and branch lines. In the years 1998 and 1999, an additional 113 miles of new lateral pipelines as well as five compressor stations with approximately 45,000 installed horsepower will be constructed. (TR 41)

Accept

7. There will be seven laterals to the main pipeline: (1) Ocala lateral, a 5-mile 4-inch diameter pipeline in Marion County; (2) the Leesburg lateral; (3) the Anclote lateral; (4) the Florida Crushed Stone lateral; (5) the Dade City lateral; (6) the North Tampa lateral; and (7) the Auburndale lateral. (TR 149) There is no testimony or record evidence, however, that the Ocala, Florida Crushed Stone, Dade City, or North Tampa lateral serve any customers with executed precedent agreements.

Accept

8. Initial system capacity for the SunShine Pipeline will be 250,000 Mcf per day. Two 10,000-horsepower compressor stations will be added in 1998, which will increase capacity to 425,000 Mcf per day. In 1999, three more compressors having 25,000 horsepower will be placed in service, bringing total system capacity to 550,000 Mcf per day. (TR 42)

Accept

9. The SunShine Pipeline will be connected to a new interstate pipeline to be constructed by SunShine Interstate Pipeline Partners ("the SITCO Pipeline"). The SITCO Pipeline will extend from an interconnection with Chandeleur Pipeline Company at an undetermined point in Pascagoula, Mississippi, and terminating at the point of interconnection with the SunShine Pipeline in Okaloosa County, Florida. (TR 41-42)

Accept

10. Through upstream interconnects, SITCO will be connected to Gateway Pipeline Company, Transcontinental Gas Pipeline Corporation's Mobile Bay Pipeline Company, and Chandeleur Pipeline Company. (TR 45)

Accept

11. All natural gas volumes reaching the SunShine Pipeline will be transported solely through the SITCO Pipeline; the SunShine Pipeline will have no interconnects with any other pipelines other than SITCO. (TR 43)

Accept

12. Coastal Southern will own forty percent (40%) and FPC and TransCanada through their subsidiaries, respectively, thirty percent (30%) of the SunShine Pipeline. The same ownership percentages apply to the SITCO Pipeline as well. (TR 66; EXH 22, SITCO Partnership Agreement, Appendix B)

Accept

13. Each company will put up its pro rata share for the equity investment in the SunShine Pipeline venture. Since the SunShine Pipeline is expected to be project-financed with a ratio of twenty-five percent (25%) equity to seventy-five percent (75%) debt, the partners will put up their respective pro rata shares of that twenty-five percent (25%) of the total pipeline costs of \$618.9 million. The total amount of equity to be invested in this venture has not been increased by TransCanada's equity involvement. (TR 66-67, 153)

Accept

14. Under a separate letter agreement dated March 16, 1993, FPC through its subsidiary PESCORP can opt out of the partnership agreement by December 1, 1993, if the Public Service Commission ("PSC") does not take favorable action on its proposed regulatory treatment for its investment in this pipeline venture. (EXH 17, PRC-6; EXH 18, PRC-10)

Accept

15. If FPC through PESCORP does opt out of the partnership agreement, the remaining partners would have to make up that loss

in equity capital and/or obtain a new equity partner to substitute in whole or in part for the lost capital from FPC. (TR 131)

Accept

16. Under its precedent agreements with shippers, SunShine has two important "outs" to its contractual commitments to provide natural gas capacity: (1) a regulatory out in the event the PSC or the Siting Board approval is denied; (2) the inability to obtain acceptable financing. (TR 74-75)

Accept, with the exclusion of the adjective "important", which represents a conclusory opinion, not a fact.

17. The general partnership agreement of SunShine Pipeline Partners establishes a management committee, consisting of one representative of each partner, to establish all decisions and policies of the partnership. Unanimous approval of the management committee is required before certain actions can be taken on behalf of the partnership, e.g., establishing or amending the design of the facilities; determining the basic geographic configuration, points of receipt of delivery, etc.; approving transportation proposals to shippers or precedent agreements or gas transportation contracts entered into with shippers prior to the in-service date; or amending the partnership agreement. (EXH 22, SunShine Partnership Agreement, § 7.2.6, p. 24)

Accept

18. SunShine Pipeline Partners currently has no assets. It intends to do business through an operating company, which has not yet been incorporated. (TR 68)

Reject. Immaterial to a decision on the issues in this case.

19. SunShine Pipeline Partners has not yet filed an application with the Department of Environmental Protection ("DER") for environmental certification by the Siting Board of its proposed natural gas pipeline. SITCO has not yet submitted an application to the Federal Energy Regulatory Commission ("FERC") for certification of the interstate portion of the proposed pipeline. (TR 36, 68)

Accept.

20. The partners intend to use project-based financing, which means that the contracts and precedent agreements will secure the loans for the seventy-five percent (75%) debt of the partnership and there will not be recourse financing by any of the principals to the partnership. No specific presentations, however, have been made to any lending institutions concerning the feasibility of financing this pipeline project. (TR 66-67, 77)

Accept.

II. Traditional Approach versus Market-based Approach

21. While neither the Natural Gas Pipeline Siting Act nor the PSC's rules and regulations or prior orders speak precisely to the issue, there are essentially two alternatives available for determining whether the proposed SunShine Pipeline project is needed: (1) the "traditional approach" which determines need on the basis of an explicit cost-benefit and cost-effective analysis of the proposed project; and (2) the "market-based" or "let-the-market-decide" approach, in which need is evaluated based on the willingness of third-party customers and shippers to commit contractually to the project and on the requirement that the project's economic and financial risks will be borne by the project sponsors and not by other customers or ratepayers. (TR 512-13)

Reject. This proposed finding is an argument of law and regulatory policy. It is not a fact. Also it is an incomplete statement. There are other regulatory alternatives to determine the need for the proposed pipeline project.

22. The traditional approach, as explained by the un rebutted testimony of Dr. Paul Carpenter, requires that a regulatory commission such as the PSC make an affirmative finding that the project is likely to provide net benefits to consumers and that it is economically superior to other alternatives, including the alternative of delaying the project. To the extent that alternative projects are mutually exclusive, this approach may require the regulatory commission to choose between competing projects. (TR 513)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

23. Two types of analysis are required for this approach: A cost-benefit and a cost-effectiveness analysis. Through a cost-benefit analysis the applicant would be required to demonstrate whether the benefits to gas consumers and electric ratepayers outweigh the costs of the project. The cost-effectiveness analysis would evaluate whether the proposed project was the alternative producing those benefits at the least cost. (TR 513)

Reject. The proposed finding relates to the argument of law and regulatory policy contained in proposed findings 21 and 22. It is not relevant to any of the factual issues in this case.

24. The benefits of a new gas pipeline typically involve economic as well as environmental considerations. Economic benefits which might be considered include the fulfilling of a new or unmet demand for gas or gas transportation services, reduced delivered gas prices, increased service reliability, and the like. (TR 513-14)

Accept.

25. Project costs, on the other hand, would include capital and operating costs and the cost of any environmental mitigation necessary in the project's construction or operation. (TR 514)

Reject. The proposed finding relates to the argument of law and regulatory policy contained in proposed findings 21 and 22. It is not relevant to any of the factual issues in this case.

26. Because the timing of the incidence of costs and benefits can be important, the translation of the project's capital and operating costs into rates and the resulting time profile of such rates over the life of the project are important to the analysis. (TR 514)

Reject. The proposed finding relates to the argument of law and regulatory policy contained in proposed findings 21 and 22. It is not relevant to any of the factual issues in this case.

27. To reflect project timing, a time profile of average net benefits should be discounted at an appropriate rate of interest to yield the project net present value ("NPV") of benefits. A project with a positive NPV would pass the cost-benefit analysis, although it might still not pass the cost-effectiveness test. (TR 514)

Reject. The proposed finding relates to the argument of law and regulatory policy contained in proposed findings 21 and 22. It is not relevant to any of the factual issues in this case.

28. The cost-effectiveness analysis considers whether there are alternatives to the proposed project, including the alternative of delay, that would likely produce greater net benefits at the same cost, or the same benefits at a lower cost, on a NPV basis. (TR 514-15)

Reject. The proposed finding relates to the argument of law and regulatory policy contained in proposed findings 21 and 22. It is not relevant to any of the factual issues in this case.

29. The market-based or "let-the-market-decide" approach, on the other hand, relies on competition between alternative projects to determine which project(s) will be constructed, but the regulatory commission must still insure that the competition is effective and that there are no explicit or implicit cross-subsidies that would unfairly advantage any one competitor or distort customers' comparisons of the alternatives. (TR 513)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

30. The market-based approach, however, is not a "hands-off" approach. Because it relies on competition to insure that the amount and timing of new capacity additions are optimally developed, the regulatory commission must insure that the competition will be unbiased and effective. (TR 515-16)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

31. Regulatory scrutiny is also required of any situation which might unfairly skew the results of the competition to one particular project, such as a cross-subsidy from ratepayers of a particular competitor due to the shifting of costs or risks away from the project and toward ratepayers. (TR 516)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

32. Under the market-based approach, therefore, need is demonstrated by the willingness of new shippers to commit to the

project at the project's incremental rates and by the assurance that the project is not involuntarily subsidized by ratepayers. (TR 516)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

33. This showing should include the filing of signed long-term contracts or precedent agreements in which shippers have committed to paying demand or reservations charges for a significant fraction of the capacity of the pipeline over its lifetime. (Id.)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

34. If a utility sponsor such as FPC wishes to make its ratepayers a partner in the project, then the market-based approach to need should be abandoned in favor of the traditional approach. This is so because the market-based approach is no longer appropriate in that the proposed risk and cost-sharing creates a disparity between the interests of the project's sponsors and interests of the sponsor's own ratepayers, which invalidates the use of a market test to select the most cost-effective and beneficial project. (TR 517)

Reject. The proposed finding is an argument of law and regulatory policy. It is not a fact.

III. Specific Issues.

35. For the many reasons that shall be discussed in the following paragraphs, SunShine's application fails to demonstrate a need for the proposed pipeline under either the traditional approach or the market-based approach. (Infra)

Reject. The proposed finding is a conclusion of law. It is not a fact.

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

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

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 the proposed pipeline?

36. SunShine attempted to address these issues primarily through the testimony of its economic forecaster, Judah Rose. Mr. Rose's testimony, which was based upon a proprietary model owned by his employer, purported to establish that in the Year 2,000 there will be a demand for approximately 3.4 Bcf per day by Florida's electric utilities, with an additional .4 Bcf per day of demand by other non-electric uses (e.g., residential uses). Given this projection, Mr. Rose notes that FGT's system will have capacity (once Phase III is built) of 1.5 Bcf per day. The difference between his 3.8 Bcf of projected natural gas demand and 1.5 Bcf of FGT's existing and proposed capacity reflects his projected unmet demand or need for additional natural gas pipeline capacity in Florida. (TR 307, 885) The problems with his projection and his conclusions are manifest and several.

Reject. Exceeds three sentences, (see Rule 25-22.056, Florida Administrative Code), conclusory and argumentative.

37. First of all, Mr. Rose originally did not look at the actual generating capacity plans for Florida's electric utilities. Because he ignored these plans, he grossly overestimated the demand for the SunShine Pipeline. Had he used the Florida utilities own plans, he would have projected, by his own admission, only 1.96 Bcf per day of demand by Florida's utilities in the Year 2,000, not 3.4 Bcf. (TR 528-29, 885; EXH 21)

Reject. Conclusory and argumentative.

38. Second, looking to the Year 2,000 and beyond as justifying a need for a pipeline which would commence operations in 1995 is simply not informative. In fact, Mr. Rose candidly admitted that he did not attempt to ascertain whether there would be any projected demand for the SunShine Pipeline in 1995 or even 1998! (TR 532, 898)

Reject. Conclusory and argumentative.

39. Mr. Rose didn't develop or even run the model upon which his forecast is based. The computer run was done by others,

apparently under his supervision, but without any explanation or testimony as to whether the model was correctly run or what it is based on. (TR 376)

Reject. Conclusory, argumentative and irrelevant.

40. More importantly, Mr. Rose's analysis was macroeconomic in nature and not tied to the specifics of the SunShine Pipeline proposal. Indeed, by his own admission, his analysis could be applied to any pipeline proposal or even to FGT's future expansions of its existing pipeline. (TR 374)

Reject. Conclusory and argumentative.

41. Concerning the fuel price forecast, moreover, FPC's task force noted that if natural gas prices increased a mere twenty percent (20%) over their forecasted price, FPC's Anclote conversion could result in an additional \$91 Million in increased costs. (TR 556-57; EXH 18, PRC-7, pp. V-2 to V-4)

Reject. Hearsay and argumentative.

42. In his rebuttal testimony, Mr. Rose attempted to tie his demand forecast to the specifics of the SunShine Pipeline proposal, but in doing so failed miserably for the following reasons. (Infra)

Reject. Conclusory and argumentative.

43. His accessibility analysis (TR 829-42) is predicated,² by his own admission, on a hearsay memorandum from E. G. Burgin.\

Reject. Argumentative.

44. Furthermore, Mr. Rose did not evaluate the relative costs of SunShine's and FGT's servicing the gross or aggregate demand that he is projecting or that SunShine will be better able than FGT to serve this gross or aggregate demand. (TR 861-863). Thus, there is no connexity between Rose's general forecast and the

² As a hearsay document, that memorandum cannot form the basis of a finding of fact, § 120.58(1), Fla. Stat., and there is no other competent, substantial evidence in this record to confirm or corroborate this accessibility analysis by Mr. Burgin.

specifics of the SunShine Pipeline proposal. (TR 528, 554-555, EXH 18, PRC-12)

Reject. Argumentative.

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?

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

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

45. SunShine essentially asserts that based upon executed precedent agreements and letters of intent that SunShine has obtained from prospective shipper customers, as well as Judah Rose's forecast for future natural gas demand in the electrical power generation industry, SunShine has adequately supported the transmission capacity that it seeks to certify. As noted above, however, Mr. Rose's forecast is of decidedly dubious value, and the executed precedent agreements and letters of intent themselves leave a lot to be desired.

Reject. Conclusory and argumentative

46. Currently, the SunShine Pipeline has obtained executed precedent agreements for 177,000 MMBtus of its initial in-service capacity of 250,000 MMBtus for 1995 and 292,000 MMBtus for its build-out capacity of 550,000 MMBtus in 1999. These figures, respectively, amount to approximately seventy-one percent (71%) of the initial in-service capacity in 1995 and fifty-three percent (53%) of the build-out capacity of the SunShine Pipeline in 1999. (TR 42, 77)

Accept.

47. Even these commitments are tenuous. The precedent agreements with FPC and Peoples Gas, for example, give to those two shippers an out to their precedent agreements and the commitments set forth therein should SunShine not obtain at least 219,000 MMBtus per day by August 1, 1993. This date, it should be noted,

was originally set for May 1, 1993, but was voluntarily pushed back by the consent of the parties to those precedent agreements. (EXH 1, EJB-2 & EJB-6; TR 524)

Reject. Conclusory, argumentative and irrelevant.

48. Under their precedent agreements with SITCO, FPC and Peoples Gas have an out to their contractual commitments should the SITCO pipeline not obtain a minimum subscription of 324,000 MMBtus of firm transportation. The precedent agreements noted above for 177,000 MMBtus constitute approximately 54.6% of SITCO's initial in-service capacity. (EXH 1, EJB-3, pp. 13-14 & EJB-7, p. 16)

Accept.

49. The inadequacy of this level of commitment becomes apparent when one considers the tariff rates which were negotiated as part of the FPC and Peoples Gas transactions. According to those precedent agreements, the initial rate for firm transportation ("FT") service on the intrastate portions of the pipeline will be 52.5 cents per MMBtu. This 52.5 cent per MMBtu initial rate is a levelized rate that is based on one hundred percent (100%) load factor utilization of the project in its expanded 1999 configuration. Thus, the relevant commitment levels to consider are not those associated with the SunShine Pipeline's 1995 volumes but with the 1999 volumes, and the precedent agreements signed to date indicate that the project is only approximately fifty-three percent (53%) subscribed in this time period. (TR 549)

Reject. Conclusory, argumentative and exceeds three sentences in length.

50. Furthermore, because the project's rates are based upon capturing the economies of scale associated with the expanded 1999 configuration (550,000 MMBtus per day), once construction is started and if only 250,000 MMBtus per day of demand materializes by 1999, there is no economic option available to the sponsors to downsize the project to match the demand and avoid losing massive amounts of money. (TR 549)

Reject. Conclusory and argumentative.

51. Thus, if the project attracts only the volumes contemplated as necessary to support this smaller project

envisioned in SunShine's financial pro formas (400,000 MMBtus per day) at the 52.5 cent rate, the 1995 present value of the pre-tax revenue shortfall from such an outcome will be approximately \$200 Million, a sum greater than the total equity to be invested in the project. (TR 553; EXH 18, PRC-11)

Reject. Conclusory and argumentative.

52. The letters of intent provide little, if anything, useful to this analysis. On their face they reflect no genuine commitment by the proposed shipper; they are only an indication of some generalized interest in obtaining some degree of capacity on the proposed pipeline. (TR 534, 923)

Reject. Conclusory and argumentative.

53. Furthermore, the City of Leesburg letter of intent reflects on its face that it is subject to approval by the City Commission, and there is no evidence on record that it has, in fact, been so approved by the Leesburg City Commission. The significant load to which the City of Leesburg letter of intent speaks, moreover, is to a contemplated 30 Mcf per day natural gas demand by some power generator that is not only not approved for construction and operation but is not even identified! (EXH 22, Leesburg LOI)

Reject. Conclusory and argumentative.

54. The Cypress Energy letter of intent, moreover, has expired by its own terms. More importantly, it is for a non-existent power plant the need for which has expressly been denied by the PSC. Interestingly, approximately \$75 to \$85 Million of the pipeline's total projected costs are devoted to an extension to service this disapproved and non-existent facility. (TR 80-82, 211, 215; EXH 1, EJB-8)

Reject. Conclusory and argumentative.

55. The demand associated with the FPC conversion of its Anclote facility, which is the linchpin of this proposal, is itself questionable. As FPC's own task force (not the Florida Progress analysts) concluded, the net economic benefit of the Anclote conversion is very sensitive to natural gas prices, it assumes that the Crystal River units are not converted, and the stream of benefits does not become positive for FPC and hence to its

ratepayers until the Year 2000. (EXH 18, PRC-7, pp. II-2 to II-14, TR 556-57, 743-44).

Reject. Conclusory, argumentative and irrelevant to the factual issues in this case. The prudence of FPC's conversion of Anclote will be addressed in another forum.

56. Indeed, almost \$20 Million of the \$30 Million in savings is attributable to the non-conversion of those Crystal River units, and they may still have to be converted anyway. (TR 567-68, 743-44)

Reject. Conclusory and argumentative.

57. The Task Force further concluded that should the price of natural gas go up by even twenty percent (20%) higher than expected, the Anclote conversion would result in increased costs of \$91 Million. (EXH 18, PRC-7, pp. II-2 to II-14; TR 556-57)

Reject. Irrelevant to the factual issues in this case.

58. The proposed timing of the Anclote conversion was also questioned by the financial analysts of FPC's parent corporation, Florida Progress Corporation. They concluded that the proposed timing of the Anclote conversion cannot be supported on economic grounds and that there should be a reevaluation of the proper timing of the conversion of Anclote to gas. (TR 557-59; EXH 18, PRC-7, pp. V-2 to V-4)

Reject. Irrelevant to the factual issues in this case.

59. The Florida Progress analysts further described how FPC's conflict of interest in being both an owner and a shipper on the pipeline is compromising its capacity planning decisions with regard to the Anclote plant conversion. As those financial analysts noted: "The very urgency to proceed thus discussed in Section III of this report speaks primarily to the needs of the new pipeline, rather than to the appropriate timing to meet FPC's needs." (TR 557-59, 591-92, 764; EXH 18, PRC-7, pp. VI-25 to VI-26)

Reject. Irrelevant to the factual issues in this case.

60. FPC also proposes to pass through the costs and risks of its equity investment to its electric ratepayers. The impact of the proposed regulatory treatment on FPC's alleged "need" for the

SunShine Pipeline are perhaps best summarized in the following unrebutted testimony of Dr. Carpenter:

FPC, as an equity owner in the project, is unwilling to bear the risk that the project may not be needed, although it is happy to participate in the project if it can force its electric ratepayers to bear those risks. If FPC really had confidence in the need for SunShine, it would not require such an 'out' as a condition of its equity participation in the project. Indeed, there is a fundamental contradiction in FPC's position in this proceeding. On the one hand, it is confident that the project deserves a certificate of need based on demand forecasts, yet on the other hand it is not confident enough in those forecasts to commit its own resources to the project without indemnification by its ratepayers. This is a clear, "market-based" signal to the Commission that SunShine may not be needed in the time frame or at the scale in which it is proposed to be constructed.

(TR 550-551)

Reject. Conclusory, argumentative, mere recitation of testimony, and irrelevant to the factual issues to be decided in this case.

61. There is, moreover, some uncertainty as to FPC's Polk County Units 1 and 2, which will require 90,000 MMBtus of natural gas per day in 1999. The administrative hearing at which the environmental certification was (presumably) to be granted for this project has been postponed from July, 1993 until October, 1993 because of unresolved questions about water consumption at project build-out. (TR 489-90)

Accept, with removal of the word "moreover" and "presumably".

62. FPC has also encountered regulatory problems with the Corps of Engineers on the extent of wetlands jurisdiction and with the Environmental Protection Agency ("EPA") on whether it will be claiming jurisdiction on the utility cooling ponds. (TR 492-96)

Accept.

63. If the Polk County facility cannot obtain sufficient amounts of water from the Floridan Aquifer for its project at

build-out, then it will have to obtain that water from other sources. FPC "hopes" to do so by obtaining treated wastewater effluent from the Cities of Bartow, Lakeland, Mulberry, and Polk Utilities. That treated wastewater effluent will be transported to the site by pipelines not yet approved or financed. (TR 501-02)

Reject. Argumentative.

64. Indeed, there is no assurance that FPC will go forward with its Polk Units 1 and 2 by themselves. FPC's project manager, Eric Major, stated that FPC must obtain reasonable assurances that the site resources can support ultimate build-out, and on this record there are substantial and as yet unresolved issues. (TR 503)

Reject. Argumentative.

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

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

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?

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?

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

65. As noted previously, the operating company for the SunShine Pipeline has not yet been incorporated and possesses no assets. It has no offices either. Indeed, all that it appears to

have at this time is a President and a Vice President. (TR 30, 68, 913)

Reject. Duplicative, argumentative, and irrelevant.

66. SunShine has not even demonstrated reliability by showing that it will even connect to needed gas supplies. It is, after all, an intrastate pipeline that will move one hundred percent (100%) of its gas through SITCO. Without SITCO, however, SunShine connects to nothing, and the federal authorization for SITCO could take, by the admission of SunShine's President, E. J. Burgin, years, and the application has not yet even been filed. (TR 36, 43, 68; EXH 1, p. 33-34)

Reject. Conclusory and argumentative.

67. As to whether SITCO itself will have access to adequate supplies of divertible natural gas, SunShine's only witness in this regard, Ronald Hrehor, admitted that he did not specifically examine the capacity of the pipelines upstream of SITCO or their supply areas. In fact, he did not even know the rates of the upstream pipelines to which the SITCO pipeline would interconnect. (TR 278, 279-80) His generalized testimony about the adequacy of divertible supplies and upstream pipeline capacities is therefore not of the sort upon which a reasonably prudent person could rely.\³

Reject. Conclusory and argumentative.

68. SunShine is proposing a new, very speculative, and to date miserably under-subscribed pipeline. Its pipeline, moreover, will not be looped, as opposed to FGT's existing looped system. (TR 106; EXH 4, Lucido Deposition, EXH 1, specs. for SunShine Pipeline)

Reject. Conclusory, argumentative, and irrelevant.

69. As for the proposed facilities and laterals to serve its customers, there is no connexity between Rose's forecasted need, such as it is, and the pipeline's ability to efficiently serve actual customers' demand. (See ¶¶ 37-45, supra)

Reject. Conclusory and argumentative.

³ § 120.58(1)(a), Fla. Stat. (1991).

70. Furthermore, the Cypress Energy extension (ca. \$75-\$85 Million in capital costs) and several of the proposed laterals propose to serve non-existent customers. (¶ 53-54, supra)

Reject. Conclusory and argumentative.

71. Thus, SunShine has proposed ending points where it has no markets and justifies its application with allegedly "big" capacity markets where it shows no pipeline facilities. (See ¶¶ 37-45, 53-54, supra)

Reject. Conclusory and argumentative.

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

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

ISSUE 12: Are sufficient capacity additions to existing pipelines sufficient to satisfy the growth and capacity requirements for the natural gas forecasted by SunShine?

72. SunShine and its two primary shippers, FPC and Peoples Gas, assert a bevy of adverse consequences should this pipeline proposal be denied. These putative adverse consequences are, at best, unsubstantiated, self-created hardships. (TR 480-82, observations of Commissioner Lauredo)

Reject. Conclusory and argumentative.

73. FPC knows, for example, that the timing and economics of its proposed 1995 conversion of its Anclote facilities are questionable, especially given the undisputed fact that the benefits of conversion do not accrue for FPC or its ratepayers until the year 2000 and beyond. (TR 567; also see ¶¶ 54-55, supra)

Reject. Conclusory, argumentative, duplicative and irrelevant.

74. As for the natural gas demanded by the Polk County Units 1 and 2, it should first be noted that such demand will not occur

until the year 1998 at the earliest. FPC therefore has another five years in which to make alternative arrangements should this pipeline proposal be denied. (EXH 18, PRC-7, pp. V-2 to V-4, VI-25 to V-26)

Reject. Conclusory and irrelevant.

75. As for Peoples Gas, it, too, is indulging in a self-created hardship. Its own precedent agreement, moreover, reflects that it really does not need FT service until 1997. (EXH 1, EJB-6, p. 5)

Reject. Conclusory and argumentative.

76. More importantly, neither FPC nor Peoples Gas has provided any analysis of the viability of interruptible service on FGT's existing facilities. As noted by Dr. Carpenter, interruptible capacity has been widely available on FGT's existing system, and there will presumably be even more on the Phase III expansion. Full subscription, after all, does not mean full load utilization. (TR 708-09; EXH 8, Late-filed EXH 4)

Reject. Argumentative.

77. The capacity releasing mechanisms prescribed by FERC Order 636 likewise will free up additional FGT pipeline capacity, even by admission of SunShine's own witness, Mr. Hrehor. (TR 269-71, 288, 644).

Reject. Argumentative.

78. Even were that not the case, FGT's Phase IV expansion, which could add some 300,000 to 500,000 MMBtus of additional capacity, is expected to come on line in the 1996-1997 time frame and would thus be an alternative to which both FPC and Peoples Gas could turn. (TR 702; EXH 8, 4/30/93 Carpenter Deposition Late-filed EXH 2)

Reject. Argumentative.

79. This Phase IV expansion, moreover, would be compression-based, which means there will be lower incremental costs for providing this additional capacity. Likewise, there will not be the disruptive environmental impacts of siting and constructing a second natural gas pipeline in Florida. (TR 711)

Reject. Argumentative.

80. As for SunShine's other customers, there is no credible evidence in this record that they would be adversely impacted by denial of the SunShine Pipeline or do not otherwise possess alternatives (e.g., FGT's Phase IV expansion, alternative fuels) to which they can turn in the event of denial of their very small demands. (EXH 1, EJB-11, EJB-15, EJB-19; EXH 22, Leesburg LOI).

Reject. Conclusory and argumentative.

81. As for SunShine itself, the adverse consequences of denial are manifest but are clearly its own fault. It has had every legitimate opportunity to develop a meaningful customer base and present a compelling need for its proposed pipeline, and yet it has failed to do so. Indeed, given the questionable economics of this proposed pipeline venture, it is probably in the best interests of SunShine and its investors (not to mention FPC's ratepayers) that the need for the pipeline not be certified and thereby save those investors from expending additional funds in the pursuit of a money losing venture. (TR 553; EXH 18, PRC-11: Carpenter's undisputed testimony of projected losses of pipeline in the event of under-subscription)

Reject. Conclusory and argumentative.

ISSUE 18: Can the necessary financing for the SunShine intrastate pipeline project be acquired by the partnership?

ISSUE 19: Can the necessary financing for the SunShine intrastate pipeline project be acquired without the participation of Florida Power Corporation as an investor?

82. SunShine asserts that its proposed pipeline will be project-financed on a non-recourse basis to the general partners, with or without FPC's involvement as an equity investor. This assertion is questionable on several grounds. (Infra)

Reject. Conclusory and argumentative.

83. First, it cannot be gainsaid that SunShine's financial pro formas and its levelized rates of 52.5 cents are dependent upon the proposed pipeline's being one hundred percent (100%) utilized at its 1999 build-out capacity of 550,000 MMBtus. (TR 549)

Reject. Conclusory and argumentative.

84. At present, however, shippers have committed by precedent agreement to only fifty-three percent (53%) of that 1999 build-out capacity. Where SunShine will obtain the shippers for this remaining forty-seven percent (47%) of its total 1999 capacity is left to problematic assertions by the project's sponsors that somehow, somewhere, SunShine will find and execute binding precedent agreements for this remaining capacity with as yet unidentified shippers. (TR 42, 47, 49-50)

Reject. Conclusory and argumentative.

85. Furthermore, by the admissions of its own officers SunShine has yet to make any presentations to any lending institutions, much less obtain any credible evidence of real interest by those institutions in financing this project, particularly in light of its questionable pro formas and levelized rates and current under-subscription of build-out capacity. Their optimistic and unverifiable optimism that the project can be project-financed, without more, is simply not credible, with or without FPC as an equity investor. (TR 66-67, 77)

Reject. Conclusory, duplicative and argumentative.

ISSUE 20: Would the citizens of the state of Florida benefit from the existence of competing pipelines?

86. SunShine asserts that as a result of competition, citizens of the State of Florida can expect to pay lower rates for both natural gas and electric power. Also, SunShine asserts, competing pipelines will bring Florida shippers greater access to

natural gas supplies, which enable natural gas to be used as an alternative to other, less clean fuels. Consequently, the citizens of Florida will realize substantial environmental benefits. (Pre-hearing Order, p. 27)

Reject. Sunshine's assertions are not relevant facts upon which the decision in this case should be based.

87. The environmental benefits of burning natural gas as opposed to other fuels are undeniable. However, SunShine's simplistic notions about the benefits of a competing pipeline are not so apparent. (Infra)

Reject. Conclusory and argumentative.

88. First of all, such competitive benefits as have already accrued are the result of the threat of a proposed pipeline, not from its reality as even SunShine's witnesses admit. (TR 599, 744)

Reject. Conclusory and argumentative.

89. The disadvantages cited by SunShine of a single pipeline are based on the problems of having a single seller of capacity in Florida. Implementation of FERC Order 636, to which SunShine will not be subject, will allow every firm shipper to be a capacity seller. (TR 644)

Reject. Conclusory and irrelevant.

90. The reality of a second pipeline, moreover, brings about the risk of over-capacity from the public's point of view. Existing pipelines could then be potentially under-utilized and the cost per unit of utilizing those pipelines go up. Thus, existing ratepayers would end up paying more for the transportation because they would have a less efficient pipeline system in Florida. This is so because where a firm transportation customer pays a demand charge under a long-term contract, where there is excess capacity built and under-utilization, interruptible rates may go down but customers who are committed under contract will still have to pay the fixed costs of the pipeline. (TR 633)

Reject. Conclusory and argumentative.

91. Furthermore, if and when FGT's Phase IV expansion comes on line, the rates paid by even Phase III shippers will be lower because Phase IV is a compression-based expansion. Thus, FGT's incremental costs for the Phase IV expansion will be less expensive than it is to add new pipeline in the ground, as SunShine proposes. However, if SunShine forecloses the Phase IV expansion, that could well result in higher rates for FGT's Phase III shippers. (TR 703, 711)

Reject. Conclusory and argumentative.

92. The putative benefits of competing pipelines have been compromised by FPC's equity investment in this pipeline and its proposed regulatory treatment, both of which create an incentive for FPC to utilize the SunShine pipeline when the best interests of its electric ratepayers may be better served by its utilizing gas from FGT. (TR 537)

Reject. Conclusory and argumentative.

93. The partnership agreement for the SunShine Pipeline is itself anti-competitive, in that it requires unanimous consent of the partners to agree to, among other things, new precedent agreements prior to the in-service date of the pipeline. Thus, FPC as a partner could veto a precedent agreement with a competitor, such as an independent power producer or co-generator, in order to maintain or advance its market position. The contractual ability to do so is hardly consistent with the notion of a true, effective and meaningful competition between and among alternative pipeline companies. (EXH 22, SunShine Partnership Agreement, p. 24)

Reject. Conclusory, argumentative, contains legal conclusions and is not supported by the record.

94. It is undisputed that such competition as does exist in the future between FGT and this proposed SunShine Pipeline will be solely for interruptible supplies and possible future loads. Firm transportation customers such as FPC and Peoples Gas are subject to

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long-term contracts of twenty-five (25) years whereby they are obligated to take the amounts contracted for from SunShine. Therefore, the competitive benefits of a second pipeline, such as they are for shippers like FPC and Peoples Gas, have either already accrued or are unlikely to occur, at least in the lifetime of the precedent agreements. (TR 52, 432, 663; EXH 1, EJB-2 [FPC Precedent Agreement] & EJB-6 [Peoples Gas Precedent Agreement]).

Reject. Conclusory and argumentative.

ATTACHMENT B

RESPONSES TO

WEST COAST'S PROPOSED FINDINGS OF FACT

I. BACKGROUND

A. WEST COAST

1. West Coast is a regional water supply authority created by an Interlocal Agreement dated October 25, 1974, pursuant to Section 7 of Chapter 74-114, Laws of Florida, 1974, and to Section 163.01, Florida Statutes. West Coast's Off.Rec., Interlocal Agreement, TR.16 & TR.18.

Accept.

2. West Coast is a regional water supply authority created by an Interlocal Agreement dated October 25, 1974 entered into by the Counties of Pinellas, Pasco, and Hillsborough and the Cities of Tampa and St. Petersburg. West Coast's Off.Rec., Interlocal Agreement, TR.16 & TR.18.

Reject. Cumulative and immaterial.

3. West Coast was created for the purpose of developing regional water supplies and supplying water at wholesale to counties and municipalities. West Coast's Off.Rec., Interlocal Agreement, TR.16 & TR.18.

Reject. Cumulative and immaterial.

4. West Coast constitutes a special district under the laws of the State of Florida, and, as such, is a separate and independent governmental entity. West Coast's Off.Rec., Interlocal Agreement, TR.16 & TR.18; West Coast's Off.Rec., 1992 Official List of Special Districts prepared by the Florida Department of Community Affairs, TR.17 & TR.18.

Reject. Cumulative and immaterial.

5. West Coast is required to design, construct, operate, and maintain facilities in the locations and at the times necessary to insure the availability of an adequate water supply to all citizens

within the geographic boundaries of West Coast. West Coast's Off.Rec. Regional System Water Supply Contract dated July 24, 1991, Page 2, TR.13 & TR.14.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

6. West Coast's service areas include Pinellas, Pasco, and Hillsborough Counties and the Cities of Tampa and St. Petersburg. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-1, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

7. West Coast's purpose is to insure that there is an adequate and dependable supply to meet the potable water needs of the area, to allow optimum economic resource development, and to protect the environment to the maximum extent. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-1, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

8. West Coast supplies over 1 million residents of its service areas with potable water. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-1, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

9. West Coast's facilities consist of a combination of wellfields, transmission mains, and pumping stations throughout the Pinellas, Pasco, and Hillsborough County areas. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-2, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

10. West Coast operates and maintains the Cypress Creek Wellfield (CCWF), located on 4,900 acres in Central Pasco County,

Florida (13 wells currently permitted at a combined 30 million gallons per day average and 40 million gallons per day maximum by the Southwest Florida Water Management District), the Cypress Creek Pumping Station (CCPS; currently rated a firm capacity of 120 million gallons per day (mgd) and located at the CCWF) and the 84" \66" Cypress Creek Transmission Main (CCTM). **West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Pages E-2 and E-3, TR.16-18.**

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

11. The CCTM transports disinfected, stabilized and pressurized water from the CCPS to the Pinellas County Water System and the City of St. Petersburg's Cosme Water Treatment Plant. **West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-3, TR.16-18.**

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

12. The CCTM extends approximately 17 miles along an abandoned railroad right-of-way from the CCPS to the Pinellas/Pasco County line. Approximately 12 miles of the CCTM leaving the pump station is 84 inches in diameter, sized to convey 130 million gallons per day. The remaining 5 miles of the CCTM is 66 inches in diameter, sized to convey 80 million gallons per day. **West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-3, TR.16-18.**

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

13. West Coast maintains the 60-inch diameter transmission main linking the Cross Bar Ranch Wellfield and the Cypress Creek Pump Station. **West Coast's Off.Rec. Executive Summary, Regional Water Supply Needs and Sources 1985-2020, Page ES-6, TR.16 & TR.18.**

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

14. West Coast's proposed Regional Water Supply System includes 76 miles of transmission mains of various diameters, a 40-

million gallon per day capacity wellfield, a 50 million gallon per day pump station, 10 million gallons of storage and interconnects with all five member governments' water supply systems. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-5, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

15. West Coast's proposed Regional Water Supply System is proposed to accomplish two goals, namely: 1) new water supply, and 2) construction of a regional "grid" system of transmission lines. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-5, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

16. Both goals of the proposed Regional Water Supply System project represent years of detailed planning efforts. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-5, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

17. The proposed Regional Water Supply System will allow members of West Coast to pump water into the Grid System to increase the total interconnected average day water supply to over 300 mgd. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-7, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

18. The June, 1991 Regional Water Supply Agreement provides that the capital and other fixed cost of the existing West Coast system and future expansions shall be allocated by the following formula and percentages of the system allocated among each member government as follows: Hillsborough County -- 28.37%; Pasco County -- 4.01%; Pinellas County -- 55.65%; St. Petersburg -- 8.98%; and Tampa -- 2.99%. West Coast's Off.Rec. April 1992 Engineering Report

for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-9, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

19. Figure 2 of the April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes depicts West Coast's and its member governments' Existing Tri-County Water Supply Facilities. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Figure 2, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

20. Figure 3 of the April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes depicts West Coast's and its member governments' Existing Tri-County Water Supply Facilities and Phase I Improvements. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Figure 3, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

21. Table 1 of the April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes describes West Coast's existing major facilities. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-15, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

22. Table 5 of the April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes provides the estimate of Regional Water System Cost in 1992 Dollars. West Coast's Off.Rec. April 1992 Engineering Report for West Coast's Regional Water Supply System Bond Anticipation Notes, Page E-20, TR.16-18.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

23. West Coast's Cypress Creek and Cross Bar Ranch Transmission Mains have major defects including defects in the metals and wire in the pipes. **Stipulation of Parties, TR.12-14.**

Accept. Stipulated.

24. West Coast has pending a case against several defendants relating to the Cypress Creek Transmission Main in West Coast v. Wright Contracting Company, et al., consolidated case numbers 88-5627-15 and 89-9987-12 in the Pinellas County Circuit Court for Pinellas County, Florida. **Stipulation of Parties, TR.12-14.**

Accept. Stipulated.

25. West Coast has pending a case against several defendants relating to the Cross Bar Ranch Transmission Main in West Coast v. Camp, Dresser & McKee, et al., Case No. 91-10746-10 in the Pinellas County Circuit Court for Pinellas County, Florida. **stipulation of Parties, TR.12-14.**

Accept. Stipulated.

26. West Coast is completing design and acquiring property to install \$160 million water system. This system's backbone will be the Cypress Creek Transmission Main comprised of new 84-inch and 66-inch diameter main, which, when complete, will operate in conjunction with an existing 84-inch Cypress Creek Transmission Main manufactured by Price Brothers. These transmission mains represent 90,000 feet of pipe, which supplies the life blood to more than one million people in West Coast's service area. **Composite Ex.No. 22, May 7, 1993 Letter to Mr. E.J. Burgin from Mr. Harold V. Aiken, TR.935-937 and TR.946.**

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

B. SUNSHINE

27. SunShine is a Florida general partnership, formally named SunShine Pipeline Partners, doing business as SunShine Pipeline Company. The general partners are Coastal Southern Pipeline Company, ("Coastal Southern"), a second tier subsidiary of The Coastal Corporation ("Coastal"), a Houston based energy conglomerate, TCPL SunShine Limited, (TCPL SunShine), a subsidiary

of TransCanada Pipeline Limited, ("TransCanada"), an energy corporation in Calgary, Alberta, Canada, and Power Energy Services Corporation, a special purpose subsidiary of FPC, which is headquartered in St. Petersburg, Florida. **Burgin, TR.31 & TR.40.**

Accept.

C. SUNSHINE'S PROPOSED PIPELINE AND FACILITIES

28. On or about March 5, 1993, SunShine filed its application for a determination of need for the construction and operation of the intrastate natural gas pipeline described in the application. **SunShine's Application for a Determination of Need.**

Accept.

29. The initial SunShine project facilities, which are projected to be placed in service in early 1995, will consist of approximately 502 miles of 30-inch mainline pipe and numerous lateral branch lines necessary to serve the market. **Burgin, TR.41.**

Accept.

30. The SunShine facilities will be located entirely within the State of Florida, commencing at a point in Okaloosa County and extending east and south in order to serve the initial markets in Peninsular and Central Florida. **Burgin, TR.41 & TR.42.**

Accept.

31. A map showing the geographic location of the proposed SunShine Pipeline is attached as Exhibit A to SunShine's Application for a Determination of Need in this proceeding. **Burgin, TR.42.**

Accept.

32. It is proposed that the SunShine Pipeline will initially include lateral lines extending from the mainline, and branch lines from the lateral lines, varying in size from four inches (4") to twenty-four inches (24"), at the following locations, including, but not limited to, a twenty inch (20") lateral originating in Sumter County extending through Hernando and Pasco Counties into Pinellas County, including a six inch (6") branch line from Pasco into Hernando County and two additional branch lines, a six inch

(6") and a twelve inch (12"), in Pasco County. **SunShine's Application for a Determination of Need, Pages 2-3.**

Accept.

33. The Anclote lateral is a 63.4 mile, 20-inch diameter pipeline beginning in Sumter County and extending through Hernando and Pasco Counties into Pinellas County. **Lucido, TR.150.**

Accept.

34. The FCS lateral is a 16.5 mile, 6-inch diameter pipeline beginning in Pasco County where it branches off from the Anclote lateral and ends in Hernando County. **Lucido, TR.150.**

Accept.

35. The Dade City lateral is a 5.8 mile, 12-inch pipeline which branches off from the Anclote lateral in Pasco County. **Lucido, TR.150.**

Accept.

36. The N. Tampa lateral is a 6.9 mile, 6-inch diameter pipeline which branches off from the Anclote lateral in Pasco County. **Lucido, TR.150.**

Accept.

II. SAFETY, INTEGRITY, AND RELIABILITY
(Issues 3, 5, 13, 14, and 22)

37. The purpose of Mr. John P. Lucido's testimony was to describe the facilities and capabilities of the proposed SunShine Pipeline project, including its designed capacity and operating pressures, the estimated cost of the project and the safety and integrity of the project. **Lucido, TR.165.**

Accept.

38. Mr. John P. Lucido was the only person offered by SunShine to provide testimony relating to whether the proposed SunShine Pipeline project could and would be design, operated, and

maintained to ensure the safety, reliability and integrity of the Sunshine pipelines. Lucido, TR.165.

Reject. Irrelevant and immaterial to a determination of the factual issues in this case.

39. The ANR Pipeline Company will be responsible for the design and construction of the SunShine pipeline project. Lucido, TR.166.

Accept.

40. SunShine will adopt the current practices and programs currently used by ANR Pipeline Company for the design, construction and maintenance of its intrastate natural gas transmission network. Lucido, TR.167.

Accept.

41. Mr. Lucido is not a registered professional engineer in the state of Florida. Lucido, TR.168.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

42. Mr. Lucido has no previous experience with designing a natural gas pipeline which is to be located in the state of Florida. Lucido, TR.168.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

43. ANR has no previous experience with designing a natural gas pipeline to be located in Florida. Lucido, TR.168.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

44. Mr. Lucido does not have any previous experience with designing or creating an operation and maintenance program for a natural gas pipeline to be located in the state of Florida. Lucido, TR.168.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

45. ANR does not have any previous experience with designing or creating an operation and maintenance program for a natural gas pipeline to be located in the state of Florida. Lucido, TR.168 & TR.169.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

46. Mr. Lucido is not a qualified expert in the area relating to soil resistivity. Lucido, TR.169.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

47. Mr. Lucido is not a qualified expert in soils chemistry of the state of Florida. Lucido, TR.169.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

48. There can be dramatic changes in the soil chemistry and resistivity on the length of SunShine's proposed pipeline in Florida. Lucido, TR.169.

Accept.

49. Mr. Lucido is not familiar with the soil chemistry and resistivity of the soil in Florida on the proposed SunShine route. Lucido, TR.169 & TR.170.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

50. The effect of soil resistivities would affect the design of some of the components of the SunShine pipeline system. Lucido, TR.170.

Accept.

51. The design for SunShine's proposed pipeline in Florida is incomplete. Lucido, TR.170.

Reject. The complete design of the pipeline cannot be established until the pipeline is sited. See proposed findings #53 and #54.

52. SunShine, or ANR on behalf of SunShine, has specified the type of steel that will be used in the manufacture of the pipeline itself. **Lucido, TR.170.**

Accept.

53. SunShine, or ANR on behalf of SunShine, has not completed the design work related to the other components of the pipeline which relate to the route of the pipeline. **Lucido, TR.170.**

Accept.

54. Many of the items required in the design will not be able to be completed until SunShine actually begins to locate the pipeline and specify the actual route of that pipeline. **Lucido, TR.171.**

Accept.

55. The design of the cathodic protection system to be utilized on the SunShine Pipeline cannot be completed until a specific route is chosen to allow for SunShine to take soil resistivity measurements. **Lucido, TR.171.**

Accept.

56. Impacts of the soil chemistry in any given area to the SunShine pipe itself have not been determined or finalized. **Lucido, TR.171 & TR.172.**

Accept.

57. The soil's chemistry and resistivity will affect certain aspects of the operation and maintenance of the SunShine system. **Lucido, TR.172.**

Accept.

58. The nature of the soil's chemistry and resistivity will have an impact on how the cathodic protection system is finally designed for the SunShine pipeline. **Lucido, TR.172.**

Accept.

59. SunShine, or ANR of behalf of SunShine, has not determined the type of cathodic protection system that SunShine will use on this pipeline project. Lucido, TR.172 & TR.173.

Reject. Cumulative.

60. The SunShine cathodic protection system could be an impress current system with the use of rectifiers or it could be a sacrificial anode system. Lucido, TR.172 & TR.173.

Accept.

61. Any foreign line crossings, acute angle crossings, or parallel situations of the SunShine Pipeline to other underground structures, especially metallic structures near the SunShine Pipeline, must be taken into account in design of the SunShine Pipeline. Lucido, TR.173 & TR.174.

Accept.

62. Mr. Lucido has not personally designed a cathodic protection system for a natural gas pipeline. TR.175.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

63. The only type of material Mr. Lucido has worked with in construction of pipes is steel. Lucido, TR.175.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

64. Mr. Lucido has no experience with respect to designing water transmission lines. Lucido, TR.175 & TR.176.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

65. Mr. Lucido has no experience with respect to designing any type of pipeline in the state of Florida. Lucido, TR.176.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

66. Mr. Lucido has had no personal experience with respect to prestressed concrete cylinder pipe ("PCCP"), either the use of PCCP

or having PCCP be adjacent or nearby to a natural gas pipeline. Lucido, TR.176.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

67. Mr. Lucido is not familiar with the types or classes of metals in a prestressed concrete cylinder pipe. Lucido, TR.176.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

68. Mr. Lucido has no personal experience with the design of a cathodic protection system on a natural gas line which is in close proximity to a prestressed concrete cylinder pipe. Lucido, TR.181.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

69. Mr. Lucido is not a qualified expert in the field of metallurgy. Lucido, TR.181 & TR.182.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

70. SunShine, or ANR on behalf of SunShine, has not performed or completed a survey or inventory of underground structures that SunShine might encounter in its presently proposed corridor. Lucido, TR.182.

Reject. Irrelevant and immaterial to a determination of the issues in this case.

71. SunShine has the obligation to avoid or minimize the adverse impacts to underground structures from operation and maintenance of SunShine's propose pipeline. Lucido, TR.199.

Accept.

72. SunShine must employ proper design and planning in the development of its cathodic protection system to ensure that it eliminates or minimizes any effect on other underground metallic structures. Lucido, TR.199.

Accept.

73. SunShine has committed to make inspections and electrical tests that are necessary to assure the electrical isolation of its pipeline. **Lucido, TR.199 & TR.200.**

Accept.

74. SunShine will perform monitoring and testing for stray electrical currents at various locations along its proposed pipeline once every calendar year, but not to exceed fifteen (15) months. **Lucido, TR.200 & TR.201.**

Accept

75. SunShine will perform monitoring and testing for stray electrical currents at various locations along its proposed pipeline once every calendar year, but not to exceed fifteen (15) months, including at all crossings of its proposed pipeline with other foreign lines and at all locations where its proposed pipeline runs parallel to another foreign line or structure. **Lucido, TR.200 & TR.201.**

Accept

76. The life expectancy of a gas pipeline is unlimited. **Lucido, TR.202.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

77. SunShine plans to utilize on the SunShine pipeline a thin film fusion-bonded epoxy coating. **Lucido, TR.174.**

Accept.

78. Although fusion-bonded epoxy is a pretty resilient material, Mr. Lucido does not know the expected life of this type of coating. **Lucido, TR.202.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

79. ANR has not used the fusion-bonded epoxy coating on any pipeline in the state of Florida. **Lucido, TR.202 & TR.203.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

80. Over the life of a cathodically protected natural gas pipeline and as the pipeline deteriorates, the usual method of continued protection of the pipeline is to increase the electric current strength along the pipeline. **Lucido, TR. 203 & TR.204.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

81. SunShine, over the life of its proposed pipeline, will increase the electric current strength over its pipeline to protect it from further deterioration. **Lucido, TR. 203 & TR.204.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

82. Over a long period of time the proposed SunShine pipeline will deteriorate. **Lucido, TR.204.**

Reject. Irrelevant and immaterial to a determination of the issues in this case. Not supported by the record. Misstates transcript.

83. SunShine must address the effect and impacts on adjacent structures or structures in close proximity to the proposed pipeline from stray electric currents generated by the SunShine cathodic protection system for its proposed pipeline. **Lucido, TR.205 & TR.206.**

Reject. Cumulative.

84. As the coating erodes on the proposed SunShine pipeline, the method for compensating for the deterioration is to increase the electric current that is impressed by SunShine on the pipeline. **Lucido, TR.206.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

85. SunShine has failed at this time to provide information in its design and specifications for the proposed pipeline for the

locations and at what intervals SunShine will have equipment or stations for testing and monitoring of stray electric currents. **Lucido, TR.206 & TR.207.**

Reject. Irrelevant and immaterial to a determination of the issues in this case.

86. When SunShine finally designs its natural gas pipeline system in its entirety, the designers must take into consideration a number of environmental variables, which would include at least the following: Details of the structure to be protected, average soil resistivity, current or electric current requirements, locations and types of foreign structures, and property easements and their sizes. **Lucido, TR.208.**

Accept.

87. SunShine will take into account in the final design and location of its proposed natural gas pipeline at least the following environmental variables: Details of the structure to be protected, average soil resistivity, current or electric current requirements, locations and types of foreign structures, and property easements and their sizes. **Lucido, TR.208.**

Accept.

88. SunShine's analysis of the following environmental variables has not been done or taken into account as of this date but will be addressed in the siting process of the specific site selection for SunShine's proposed natural gas pipeline: Details of the structure to be protected, average soil resistivity, current or electric current requirements, locations and types of foreign structures, and property easements and their sizes. **Lucido, TR.208.**

Reject. Not supported by the record. Misstates transcript.

89. SunShine or ANR will join and coordinate with a corrosion coordinating committee in the state of Florida for the areas involved with its proposed natural gas pipeline. **Lucido, TR.209.**

Accept.

90. In determining the grade of pipe to utilize in the proposed SunShine natural gas pipeline, SunShine will look into the future only two to three years, and not five to ten years, to

consider the nature of future development in and around the area of its natural gas pipeline. Lucido, TR.218.

Reject. Not supported by the record. Misstates transcript.

91. SunShine has provided the PSC with the following information relating to the proposed natural gas pipeline: (a) Materials specifications for pipe, valves and fittings to be used in the pipeline; (b) specific specifications for the line pipe, including maximum allowable operating pressure, the specified minimum yield strength, and the pipe wall thickness for the various diameter of pipe for the project; (c) construction specifications; (d) a copy of a typical radiography contract and specifications that would be used for third-party x-ray inspection of the pipe; and (e) construction specifications for the compressor stations and for the meter stations. Lucido, TR.226 & TR.227.

Accept.

92. Mr. Lucido represented that SunShine has provided, as operating and maintenance procedures and standards for the proposed pipeline, ANR's operating and maintenance standards which will be modified to comply with the Florida Public Service Commission's rules relating to this area. Lucido, TR.227.

Accept.

93. SunShine's proposed cathodic protection system for its natural gas pipeline can have an extremely detrimental impact on West Coast's water transmission lines, not to mention those of West Coast's member governments. Location of and protective measures relating to SunShine's proposed pipeline must be addressed to avoid potential damage to West Coast's transmission system and interruption of water service to over one million residents in the tri-county area (Pinellas, Pasco, and Hillsborough Counties). Composite Ex.No. 22, May 7, 1993 Letter to Mr. E.J. Burgin from Mr. Harold V. Aiken, TR.935-937 and TR.946.

Reject. Irrelevant and immaterial to a determination of the issues in this proceeding.