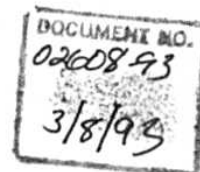


BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for )  
Determination of Need for )  
an Intrastate Natural Gas )  
Pipeline by SunShine )  
Pipeline Partners )  
\_\_\_\_\_ )

Docket No.: 920807-GP  
Filed: March 8, 1993

DIRECT TESTIMONY  
OF  
RONALD J. HREHOR  
FOR  
SUNSHINE PIPELINE PARTNERS



1                   **BEFORE THE PUBLIC SERVICE COMMISSION**

2                   **DOCKET NO. 920807-GP**

3                   **DIRECT TESTIMONY OF**

4                   **RONALD J. HREHOR**

5                   **ON BEHALF OF SUNSHINE PIPELINE PARTNERS**

6  
7    Q.    **Please state your name and address.**

8    A.    My name is Ronald J. Hrehor. I reside at 29 North  
9           Havenridge Drive in The Woodlands, Texas 77381.

10   Q.    **By whom are you employed and in what capacity?**

11   A.    I am an independent consultant and have been  
12           retained by SunShine Pipeline Partners  
13           ("SunShine") to provide testimony supporting its  
14           Application for a Determination of Need for an  
15           Intrastate Natural Gas Pipeline.

16   Q.    **Would you briefly state your educational  
17           background?**

18   A.    I attended Bradley University in Peoria, Illinois  
19           from 1963 through 1967, obtaining a Bachelor of  
20           Science degree in Civil Engineering. I also  
21           attended the University of Houston, completing its  
22           MBA Program in 1981.

23   Q.    **Would you briefly state your work experience?**

24   A.    I began my career in the Operations Department for  
25           Natural Gas Pipeline Company of America ("Natural")

1 in 1968 as a Field Engineer in Lufkin, Texas. For  
2 approximately seven years, I held positions of  
3 increasing responsibility associated with the  
4 operations and construction of compressor stations  
5 and gathering systems. In 1975, I was promoted to  
6 Superintendent of Natural's Hereford, Texas  
7 facility and, after a brief tour as a  
8 Superintendent in Gray, Oklahoma in 1976, I became  
9 the Area Superintendent of Transmission-Gulf Coast  
10 for Natural in 1977. I next moved into Gas Supply  
11 Operations as a Director in 1981 where I was  
12 responsible for managing Natural's gas supply in  
13 the Rocky Mountain, Amarillo and Gulf Coast  
14 Regions. In 1986, I moved to Houston, Texas as  
15 Natural's Assistant Vice President, Transportation  
16 & Exchange where my responsibilities included  
17 contracting with the various shippers of gas on  
18 Natural's interstate pipeline system as well as  
19 negotiating for transportation and exchange  
20 agreements on third party pipeline systems for  
21 Natural's account.

22 In 1988, I accepted a similar position (i.e.,  
23 same title and job responsibilities) with United  
24 Gas Pipe Line Company at its Houston headquarters  
25 office. I became United's Vice President of

1 Marketing in 1989 where I had supervisory authority  
2 over the company's market development, market  
3 planning and research as well as market services  
4 functions. My responsibilities in this position  
5 included the development of new pipeline services,  
6 evaluation and optimization of system throughput  
7 and forecasting United's sales and transportation  
8 activities. In 1991, I was named Vice President,  
9 Operations Control where I managed and directed the  
10 groups in Systems Planning, Business Development,  
11 Gas Control and Storage Management. Last November,  
12 I left United and established an independent  
13 consulting firm, which specializes in marketing,  
14 transportation and supply operations of natural gas  
15 pipeline projects and related activities.

16 Q. Have you previously offered testimony before the  
17 Florida Public Service Commission?

18 A. No, I have not. However, I have testified a number  
19 of times in Washington, D.C. before the Federal  
20 Energy Regulatory Commission ("FERC") in various  
21 proceedings, including pipeline rate and  
22 certification cases.

23 Q. What is the purpose of your testimony?

24 A. The purpose of my testimony in this proceeding is  
25 to show that shippers on the SunShine Pipeline will

1           have access to available gas supplies in order to  
2           meet their natural gas requirements, and that there  
3           is adequate existing pipeline capacity upstream of  
4           the SunShine Pipeline for such shippers to  
5           transport volumes of gas equal to the proposed  
6           capacity of the SunShine Pipeline.

7    Q.    What factors do you take into consideration in  
8           determining whether or not the shippers on the  
9           SunShine Pipeline have sufficient access to gas  
10          supplies in order to meet their requirements?

11   A.    The ability of these shippers to access gas  
12          supplies is a function of two primary factors: (1)  
13          the number of pipeline interconnects which the  
14          SunShine Pipeline directly or indirectly accesses,  
15          including the potential multiplying effect that any  
16          one pipeline interconnect brings; and (2) the  
17          number of gas producing fields, and the available  
18          reserves and production within such fields that are  
19          accessed by the network of interconnecting  
20          pipelines.

21   Q.    Can you explain what you mean by pipeline  
22          interconnects and the multiplying effects of those  
23          interconnects?

24   A.    All of the gas volumes transported on SunShine will  
25          be received at its interconnect with the new

1 interstate pipeline system known as SunShine  
2 Interstate Transmission Company (the "SITCO  
3 Pipeline"). The SITCO Pipeline will interconnect  
4 with the facilities of Gateway Pipeline Company at  
5 a point near Mobile Bay, the facilities of  
6 Transcontinental Gas Pipe Line Corporation's  
7 ("Transco") Mobile Bay Pipeline Company  
8 ("Transabama") north of Mobile and the facilities  
9 of Chandeleur Pipeline Company ("Chandeleur") at a  
10 point near Pascagoula, Mississippi. Therefore, the  
11 shippers on SunShine Pipeline will have access to  
12 the gas supplies which are already accessed by  
13 those pipeline systems which will interconnect with  
14 the SITCO Pipeline. The systems of Gateway and  
15 Chandeleur both interconnect with United Gas Pipe  
16 Line Company's ("United") system and the Transabama  
17 system interconnects with the interstate system of  
18 its parent, Transco. Through these interconnects,  
19 the SunShine Pipeline will have additional access  
20 to gas supplies located along both the United and  
21 Transco systems. The United and Transco systems,  
22 in turn, have interconnects with the systems of  
23 many of the major interstate pipeline companies in  
24 the United States, including Natural, Tenneco Gas  
25 Pipeline, Texas Eastern Transmission Corporation,

1 Southern Natural Pipeline Company, ANR Pipeline  
2 Company and Columbia Gas Transmission Corporation,  
3 just to name a few. For illustrative purposes, I  
4 have attached a United Systems Map as Exhibit RJH-1  
5 indicating those gas producing regions which are  
6 accessed by the United system. A map such as this  
7 could be produced for each of the above named  
8 pipeline companies to illustrate the multiplying  
9 effects of these pipeline interconnects. These  
10 interconnects provide SunShine's shippers with even  
11 greater access to gas supplies which are located  
12 along these major pipeline systems. As you can  
13 see, from just one interconnect between the  
14 SunShine and SITCO Pipelines, the shippers on the  
15 SunShine Pipeline will have considerable access to  
16 gas supplies along any one of a number of upstream  
17 pipelines.

18 Q. How can SunShine's shippers be assured that  
19 sufficient upstream pipeline capacity exists for  
20 them to have their gas delivered into Florida?

21 A. The Federal Energy Regulatory Commission ("FERC")  
22 has issued a series of regulatory orders designed  
23 to facilitate the interstate movement of natural  
24 gas on the integrated network of pipelines.  
25 Beginning with FERC Order No. 436, which

1 established open access, through the recent FERC  
2 Order No. 636, which has caused the pipelines to  
3 emphasize transportation in the process of  
4 unbundling their services, natural gas  
5 transportation has been greatly facilitated. These  
6 orders have essentially restructured the natural  
7 gas industry by transitioning the role of the  
8 pipelines from one of being primarily a purchaser  
9 and reseller of gas to being primarily a  
10 transporter of gas. The effect of this regulatory  
11 restructuring on the consumer is to ensure that  
12 pipelines will be in the business of making their  
13 system capacity available to those shippers in need  
14 of it. A fundamental premise of the Order No. 636  
15 is to enable any source of gas supply to be  
16 accessible to any market. In order to facilitate  
17 this process, the FERC has adopted the use of an  
18 "electronic bulletin board" which provides  
19 pertinent information to any potential shipper  
20 including the available capacity on any given  
21 pipeline system. A potential shipper is able to  
22 use this information to locate the most efficient  
23 route to transport its gas supplies to a particular  
24 point of destination. Under the mandate of Order  
25 No. 636, when capacity on an open access pipeline



1 is available, that pipeline is required to provide  
2 such capacity to shippers on a non-discriminatory  
3 basis. Order No. 636 also provides for a secondary  
4 market in transportation capacity, which will  
5 increase the opportunities for shippers on the  
6 SunShine Pipeline to obtain the upstream  
7 transportation service they require.

8 Q. Can the shippers on the SunShine Pipeline benefit  
9 from this process?

10 A. As previously pointed out, the shippers on the  
11 SunShine Pipeline will also be shippers on the  
12 various pipeline systems upstream of the SunShine  
13 Pipeline. The electronic bulletin board will  
14 provide them with access to the information needed  
15 to transport their gas supplies through these open  
16 access pipelines via their interconnecting  
17 networks. For example, if a Shipper located a  
18 source of available gas supply off of United's  
19 system, it would refer to United's electronic  
20 bulletin board to determine United's available  
21 capacity from the point of receipt to the point of  
22 delivery. At times, companies even publish  
23 information pertaining to gas supplies available  
24 for purchase. This process provides a shipper with  
25 immediate access to all of the variables that go

1           into a decision on the source of gas supply and the  
2           best transportation route.

3    Q.    From your past experience, is it unusual for a  
4           market to be served from gas supply sources which  
5           do not originate on the pipeline system directly  
6           connected to that market?

7    A.    No, it is not. Even prior to FERC Order No. 436,  
8           many pipeline companies contracted to purchase gas  
9           supplies that were produced off of other pipeline  
10          systems. A substantial number of interconnects  
11          between pipelines were constructed to accommodate  
12          the transportation of these contracted gas supplies  
13          into the pipeline purchaser's system. This  
14          integrated network of pipelines has become quite  
15          mature and is available to facilitate the movement  
16          of gas after the regulatory restructuring provided  
17          by FERC Order No. 636.

18   Q.    Do you believe that there are adequate gas supplies  
19          available to shippers on SunShine?

20   A.    Absolutely. There are prolific natural gas  
21          reserves from various sources onshore and offshore  
22          in the United States as well as in Canada. With  
23          the assistance of ANR Pipeline Company's Reserves  
24          and Availability Department in Houston, I have  
25          prepared the attached Exhibit RJH-2 entitled,

1 "Lower 48 Proved Reserves", which indicates the  
2 amount of domestic gas reserves by producing  
3 region. I have also prepared the attached Exhibit  
4 RJH-3 entitled, "Lower 48 Annual Production", which  
5 indicates the amount of annual production of these  
6 gas reserves that has occurred within each  
7 producing region. These Exhibits RJH-2 and RJH-3  
8 indicate that the nation's gas reserves and  
9 production levels have stayed relatively flat over  
10 the years. Fifty-seven percent (57%) of all  
11 production comes from the Gulf Coast Region, which  
12 is the most accessible of all regions for Florida  
13 shippers. These reserves and production can be  
14 accessed by the shippers on SunShine through  
15 transportation arrangements with upstream pipelines  
16 as described above. I also believe that FERC's  
17 policies and procedures discussed above have  
18 provided shippers a process that permits a greater  
19 administrative ease in arranging for such  
20 transportation on this integrated network of  
21 transmission systems.

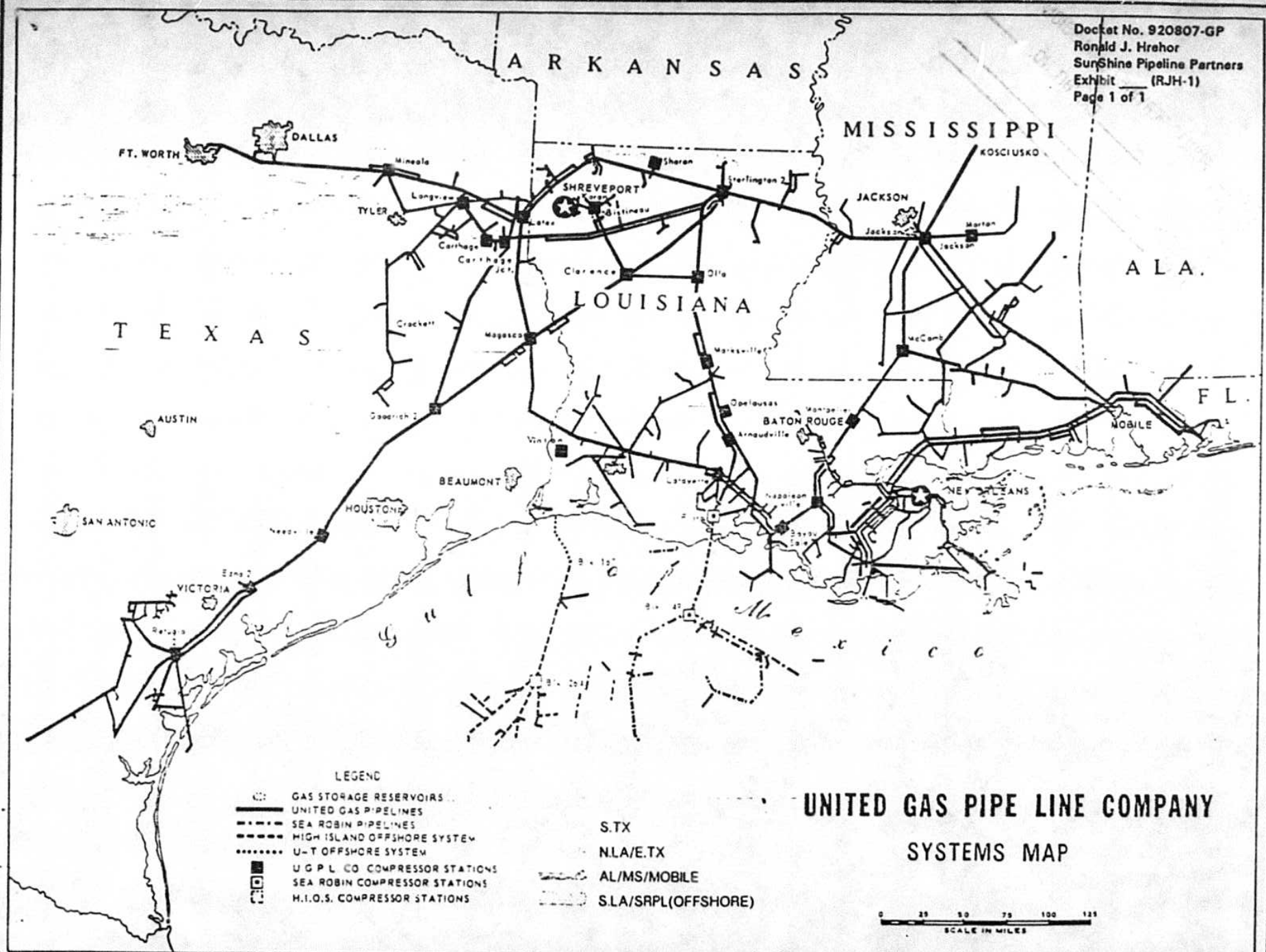
22 Q. Can you specifically identify some of these gas  
23 producing areas that might be a source of available  
24 gas supply to Florida markets?

25 A. Yes. One of the closest sources of major gas

1 supplies, Mobile Bay is right at Florida's  
2 doorstep. I have had prepared the attached Exhibit  
3 RJH-4 entitled "Mobile Bay Area Production", which  
4 shows that the production from Mobile Bay is  
5 building rapidly and could reach to levels in  
6 excess of 1 Bcf per day during the year 1994. The  
7 Gateway system accesses production from Mobile Bay  
8 through connections with the major gas plants. The  
9 SITCO Pipeline also accesses United's system  
10 through the Gateway system. United's interstate  
11 system gathers production from South Texas, East  
12 Texas, virtually all of Louisiana, Mississippi and  
13 accesses much of the offshore Gulf of Mexico  
14 production. Chandeleur's system brings offshore  
15 gas production from the Gulf to Pascagoula,  
16 Mississippi where it will interconnect with the  
17 SITCO Pipeline. Transabama's system accesses  
18 Transco's which has considerable interconnects with  
19 other pipelines as well as its own direct access to  
20 substantial producing areas. All of these equate  
21 to increased options for the shippers on the  
22 SunShine Pipeline.

23 Q. Do the multiple effects of the pipeline  
24 interconnections that you have described enable  
25 shippers on the SunShine Pipeline to access gas

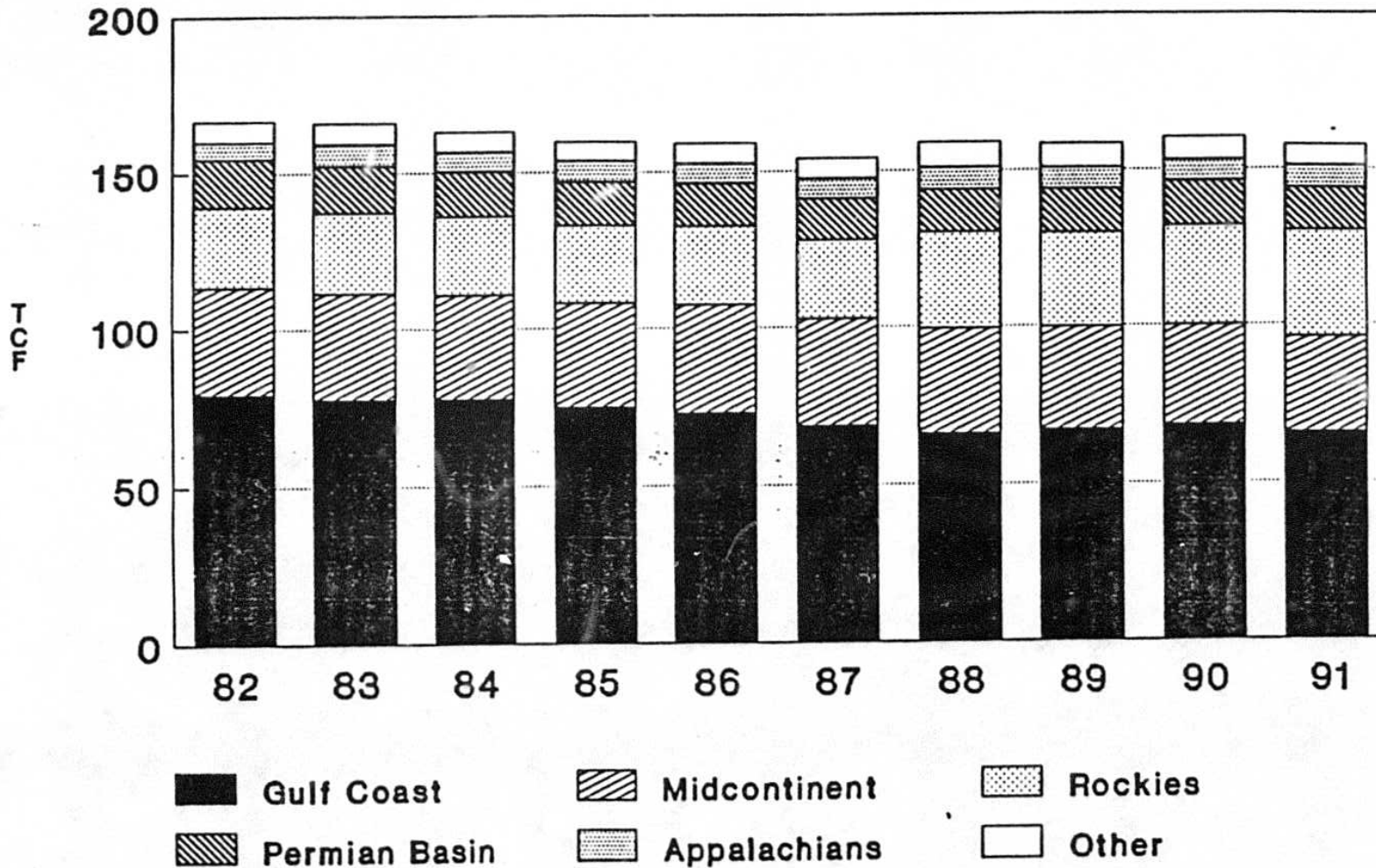
- 1 from most of the domestic sources in the U.S.?
- 2 A. Yes, they do, and you could add Canadian sources as  
3 well. Through traditional transportation,  
4 displacements or backhauls, natural gas can be  
5 delivered into the SITCO Pipeline from such sources  
6 as the MidContinent, the Rocky Mountains, the  
7 Permian Basin and the Appalachians.
- 8 Q. What conclusions can you draw for the Commission  
9 regarding access to gas supply and upstream  
10 pipeline capacity for shippers on the SunShine's  
11 Pipeline?
- 12 A. I believe that there are substantial natural gas  
13 reserves in domestic onshore and offshore basins as  
14 well as substantial Canadian gas reserves that are  
15 available to Florida markets served by the SunShine  
16 Pipeline. Access to these supplies is accomplished  
17 by the direct pipeline interconnects with the SITCO  
18 Pipeline and the substantial number of pipeline  
19 interconnects that exist upstream of SITCO's system  
20 which creates a multiple effect. It is my opinion  
21 that there is available capacity upstream of the  
22 SITCO Pipeline which can be accessed by shippers on  
23 the SunShine Pipeline.
- 24 Q. Does this conclude your testimony?
- 25 A. Yes it does.



# LOWER 48 PROVED RESERVES

## By Producing Region

Docket No. 920807-GP  
 Ronald J. Hrehor  
 SunShine Pipeline Partners  
 Exhibit (RJH-2)  
 Page 1 of 1

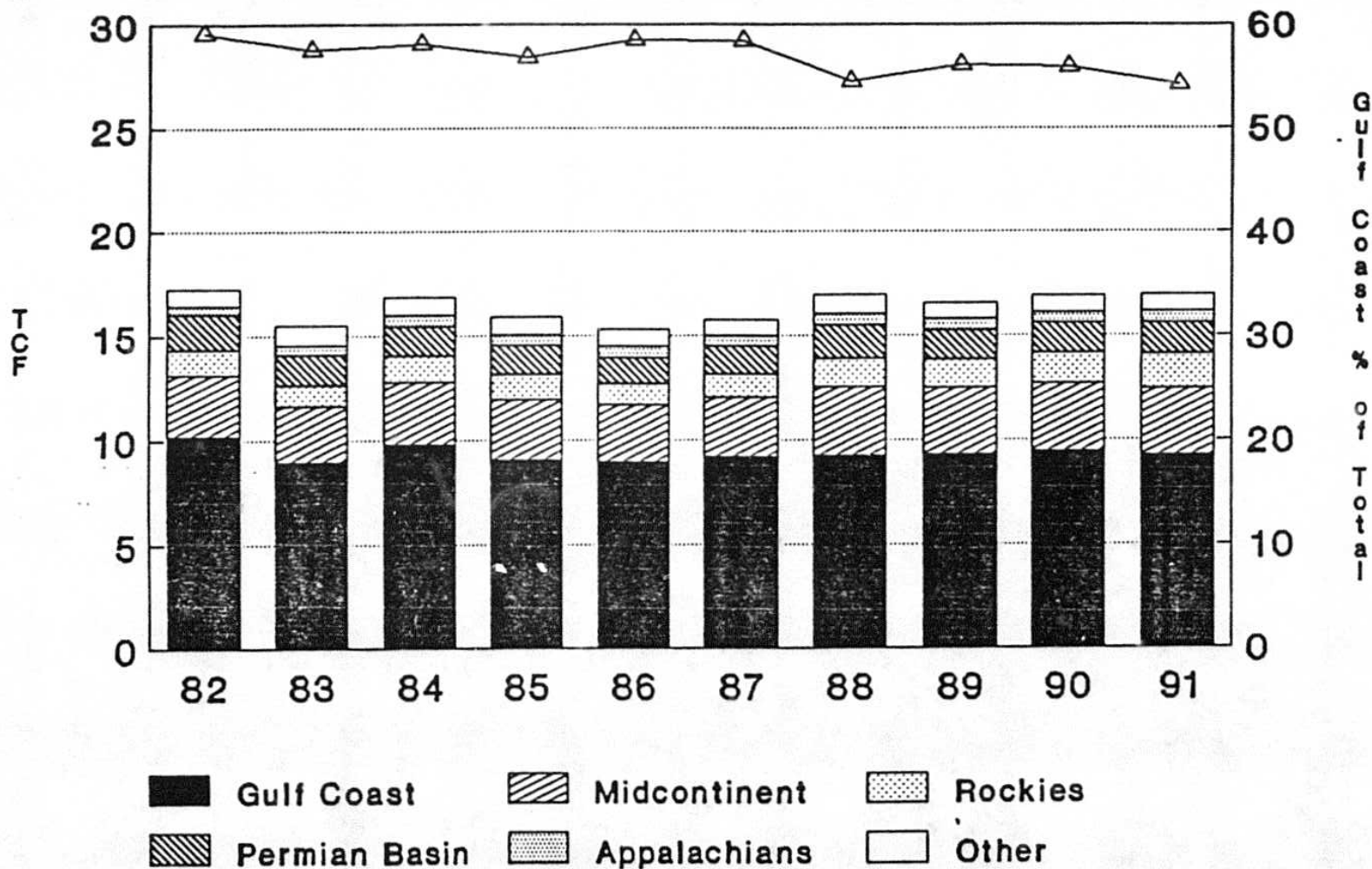


Source: Energy Information Administration Annual Reports

# LOWER 48 ANNUAL PRODUCTION

## By Producing Region

Docket No. 920807-GP  
 Ronald J. Hrehor  
 SunShine Pipeline Partners  
 Exhibit (RJH-3)  
 Page 1 of 1

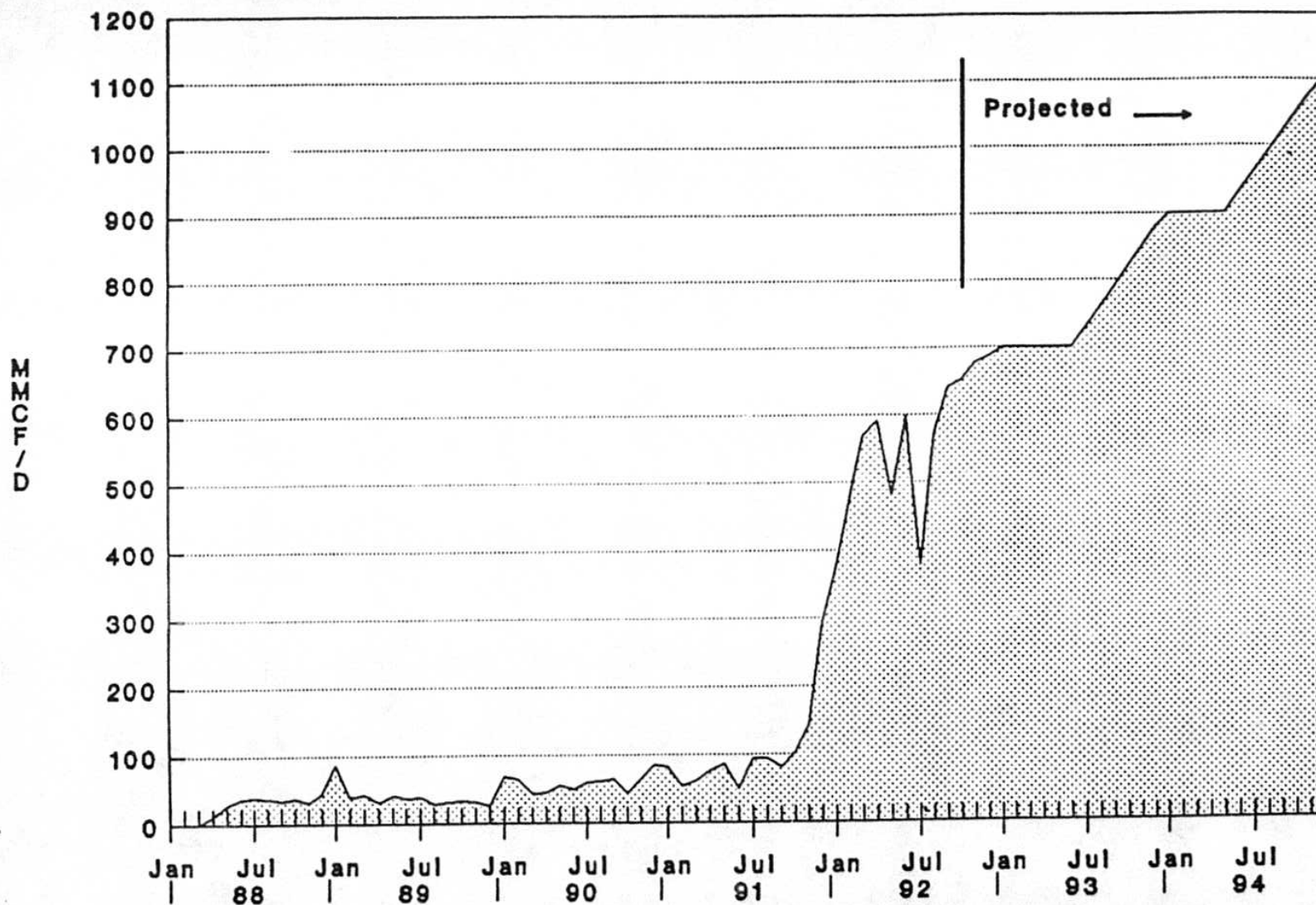


Source: Energy Information Administration Annual Reports



# MOBILE BAY AREA PRODUCTION

Docket No. 920807-GP  
Ronald J. Hrehor  
SunShine Pipeline Partners  
Exhibit \_\_\_ (RJH-4)  
Page 1 of 1



Source: Dwight's Energy Data