

**Ruth Nettles**

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**From:** Ann Bassett [abassett@lawfla.com]  
**Sent:** Tuesday, July 07, 2009 11:27 AM  
**To:** Filings@psc.state.fl.us  
**Subject:** Docket No. 090172-EI  
**Attachments:** 2009-07-07, 090172, Final FGT Updated Prehearing Statement.pdf

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The Docket No. is 090172-EI - Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company

This is being filed on behalf of Florida Gas Transmission Company, LLC.

Total Number of Pages is 12

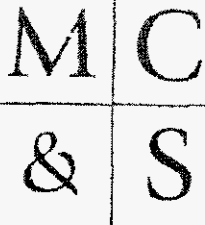
Florida Gas Transmission Company, LLC's Updated Prehearing Statement

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06801 JUL-7 8

FPSC-COMMISSION CLERK



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July 7, 2009

**VIA ELECTRONIC FILING**

Ms. Ann Cole, Commission Clerk  
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Room 110, Easley Building  
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2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket No. 090172-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Gas Transmission Company, LLC is Florida Gas Transmission Company, LLC's Updated Prehearing Statement in the above referenced docket.

Thank you for your assistance with this filing.

Sincerely yours,

Floyd R. Self

FRS/amb  
Enclosure

cc: Mr. Michael T. Langston  
Parties of Record

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company. ) Docket No. 090172-EI ) Dated: July 7, 2009 )

FLORIDA GAS TRANSMISSION COMPANY, LLC, UPDATED PREHEARING STATEMENT

Florida Gas Transmission Company, LLC (FGT), pursuant to Order Establishing Procedure, Order No. PSC-09-0230-PCO-EI, issued April 14, 2009 and First Order Revising Order Establishing Procedure, Order No. PSC-09-0337-PCO-EI, issued May 15, 2009 (hereinafter "Procedural Orders"), and the decision at the July 6, 2009, Prehearing Conference, submits the following Updated Prehearing Statement to the Florida Public Service Commission ("Commission") in the above-captioned dockets.

A. WITNESSES

Table with 3 columns: WITNESS, SUBJECT MATTER, ISSUES. Row 1: Michael T. Langston, The FPL pipeline is not in the best interests of the Florida ratepayers and should be denied because: (1) FPL has not demonstrated reasonable natural gas demand to warrant the proposed \$1.6 billion pipeline and relies on inconsistent data and inflated population demand projections; (2) FPL has provided insufficient evidence regarding the actual upstream supply and transportation costs; (3) there are better upstream supply and transportation alternatives, including through FGT's existing pipeline, which already provides maximum diversity of supply, including on-shore shale supply sources; (4) the cost recovery methods proposed by FPL unnecessarily burden FPL's customers with costs and improperly relieve FPL of all risk because, by including the EnergySecure Line in FPL's electric rate base (as requested by FPL), FPL will not suffer any risk of under-recovery of costs or any failure to earn a full equity return on its pipeline investment; (5) there are better and more

appropriate cost recovery methods that FPL failed to consider that do not support the proposed pipeline; and (6) the other public policy considerations urged by FPL lead to adverse consequences for Florida ratepayers and the natural gas transmission market if FPL's proposal is adopted.

Dr. Benjamin Schlesinger (1) FPL has not shown that the proposed Company E and Florida EnergySecure (FES) system will improve the economics of natural gas transmission within Florida; (2) FPL's justification of the need for the combined Company E/FES system rests on economic assumptions, and fuel supply and transport costs, that are not reasonable for planning purposes; and (3) the proposed Company E/FES system would not provide electricity ratepayers with the most cost-effective source of natural gas supply, transport, and delivery. 5, 6, 8, 9, 10

**B. EXHIBITS**

<u>EXHIBIT NUMBER</u>	<u>WITNESS</u>	<u>DESCRIPTION</u>
MTL-1	Langston	Map of FGT pipeline system
MTL-2	Langston	Map of FGT system w/Phase VIII expansion
MTL-3	Langston	FGT Expansion in Florida
MTL-4	Langston	FPL Ten Year Site Plan Filings
MTL-5	Langston	FPL Response to FGT Interrogatory No. 53
MTL-6	Langston	FPL Response to Staff Interrogatory No. 23-1
MTL-7	Langston	May 7, 2009 FERC Order on Transco Mobile Bay South Expansion Project
MTL-8	Langston	July 25, 2008 FERC Order on MidContinent

MTL-9	Langston	Express Expansions September 28, 2007 FERC Order on Gulf South Southeast Expansion Project
MTL-10	Langston	December 3, 2008 Tariff Filing for Gulf South Southeast Expansion transportation rates
MTL-11	Langston	Map of Expansion capacity in the Perryville area
MTL-12	Langston	EIA Report, Natural Gas Market Centers: A 2008 Update, April, 2009
MTL-13	Langston	March 18, 2009 FGT Proposal
MTL-14	Langston	Basis Prices Chart June 11, 2009
BSA-1	Schlesinger	C.V. of Benjamin Schlesinger
BSA-2 (Confidential)	Schlesinger	FPL's Natural Gas Price and Basis Forecasts
BSA-3	Schlesinger	Daily Flows through FGT Station 11, August 1 through November 30, 2005
BSA-4	Schlesinger	Transco January 22, 2009 Open Season Announcement for Mobile Bay South II Expansion
BSA-5 (Confidential)	Schlesinger	Combined Company E/FES Proposal versus Company B Proposal, extended to Station 85

### C. BASIC POSITION

FPL's \$1.6 billion pipeline is not in the best interests of FPL's ratepayers or the State of Florida. FPL has failed to demonstrate the need for its proposed intrastate pipeline, and so it should be denied. FPL has failed to establish that there is sufficient demand to support the construction and expense of the proposed intrastate pipeline, and has similarly failed to demonstrate that the proposed intrastate pipeline, coupled with the highly costly upstream pipeline, is the best economic alternative and in the best interest of FPL's ratepayers. Alternatively, if the Commission were to find that this pipeline should be approved, then the PSC should deny FPL's request to include it in the electric ratebase and instead order that the pipeline be constructed, operated, and financed through a fully separated entity and regulated pursuant to Chapter 368.

### D. ISSUES AND POSITIONS

**ISSUE 1:** Is FPL's forecast of future natural gas pipeline transmission capacity requirements reasonable for planning purposes?

**FGT'S UPDATED POSITION:** No. FPL has not demonstrated a need for a \$1.6 billion pipeline capable of providing 600 million cubic feet of gas per day ("MMcf/d") of pipeline transportation. FPL's claim that it needs 600 MMcf/d is clearly inflated because the Riviera Beach and Cape Canaveral plants have a combined certified need of 400 MMcf/d. FPL admits that it inflated the University of Florida population projections by 3.7%, and that even under those inflated projections, FPL's own forecast is overstated because it would not need the full claimed capacity requirement until 2021. Further, FPL's Ten Year Site Plans do not indicate any need for additional natural gas, and beyond 2014 FPL reports *excess capacity* on an average day of as much as 520 MMcf/d. FPL's data is inconsistent and its adjustments to population demand data are overstated.

**ISSUE 2:** Do existing transmission pipelines in Florida have sufficient excess capacity to fulfill the forecasted need for transmission capacity?

**FGT'S UPDATED POSITION:** FGT would be able to serve the Riveria Plant after completion of currently planned expansions and some additional upgrades, utilizing the existing oil/gas pipeline lateral from the Martin Plant to the 45<sup>th</sup> Street Terminal that FPL plans to use in conjunction with the proposed FPL pipeline. To serve Cape Canaveral would require some additional pipeline construction that could be done in a timely and cost effective manner and at a total cost significantly less than FPL's multibillion dollar pipeline.

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

**FGT'S UPDATED POSITION:** No. Existing natural gas pipelines provide sufficient capacity to meet the reasonable projected demand for at least the next 8 to 10 years and possibly longer. To the extent there is additional incremental demand that requires additional pipeline capacity, it is cheaper and more cost effective for consumers to expand existing pipelines through minimal laterals, looping of existing pipelines, or additional compression, rather than burden FPL ratepayers with the full risk of a \$1.6 billion new pipeline plus the significant additional cost of the upstream pipeline. Tellingly, FPL has failed to utilize FGT and other pipeline providers' recent open seasons to identify and meet the projected future needs of these two power plants in the most efficient and cost-effective manner. The open season solicitation process helps to ensure that future pipeline growth is actually necessary and cost effective.

**ISSUE 4:** Does the planned construction and operation of the proposed Florida EnergySecure Line meet government and industry standards for safety?

**FGT'S UPDATED POSITION:** No. FPL makes only broad statements or general assertions of design, operation, and maintenance procedures that do not demonstrate FPL's ability to prudently and reasonably build and operate the pipeline. FPL provides no information as to any previous experience with the safe and efficient operation of long haul, multicounty, high pressure natural gas transmission pipelines. To the extent that FPL intends to hire third party operators, under FPL's proposal those additional costs would also be rolled into its ratebase, further unnecessarily burdening the Florida ratepayers.

**ISSUE 5:** Will the proposed Florida EnergySecure Line improve the economics of natural gas transmission within Florida to assure the economic well-being of the public?

**FGT'S UPDATED POSITION:** No. FPL's proposal will be significantly more expensive than available alternatives and will not assure the economic well-being of the public. To the contrary, existing pipeline operations with relatively modest pipeline expansion would be able to reliably serve existing and projected needs, and FPL's proposed pipeline does not improve the economics of natural gas transmission. Moreover, FPL's proposed pipeline would be a stand alone, independent system lacking in redundancy, looping, and interconnection, therefore further lacking in economic efficiencies.

**ISSUE 6:** Are the commencement and terminus of FPL's proposed facilities and laterals appropriate to serve the need identified in Issue 1?

**FGT'S UPDATED POSITION:** No. The northern commencement point for the pipeline is proposed for the sole purpose of tying into a new interstate pipeline for supposed natural gas supply diversity. In reality, that commencement point does not offer new, unique, or significant supply diversity to Florida. FGT's existing pipelines already provide maximum diversity of supply, including on-shore shale supply sources, from FGT's existing connections to the Perryville and Transco Station 85 supply hubs. Moreover, FPL's proposed pipeline is not needed to access "east coast LNG" because FGT already has an existing interconnection with the Cypress pipeline that can deliver east coast LNG supply from Elba Island directly into Florida,

**ISSUE 7:** Are FPL's construction cost estimates reasonable for planning purposes?

**FGT'S UPDATED POSITION:** No. All costs must be considered, but FPL's proposal does not consider all upstream pipeline costs which are necessary before the Commission can effectively consider, let alone approve, a \$1.6 billion intrastate pipeline. Given the excessive and unnecessary capacity of FPL's proposed pipeline, the gross cost information provided by FPL is lacking in sufficient detail to demonstrate whether its estimates are reasonable and just. Moreover, FPL's proposed pipeline relies on simplistic and internally inconsistent gas price forecasts that inappropriately skew the economics to make its proposal look more favorable. FPL's bare cost and gas price estimates are unreasonable and do not provide a justification for this Commission to grant the application.

**ISSUE 8:** Are FPL's economic assumptions reasonable for planning purposes?

**FGT'S UPDATED POSITION:** No. FPL makes general and broad assertions of intent, but FPL has failed to provide the necessary detailed data that would support it building its intrastate



pipeline that would then connect to a new interstate pipeline. This is particularly true given the economic efficiencies of utilizing the existing pipeline infrastructure that provides real supply diversity. FPL's data is inconsistent and its adjustments to population demand data are overstated. FPL has not provided this Commission with sufficient economic assumptions to justify the need for a new \$1.6 billion intrastate pipeline.

**ISSUE 9:** Are the fuel supply and transport costs used by FPL reasonable for planning purposes?

**FGT'S UPDATED POSITION:** No. Because FPL's demand analysis is wrong, all of the resulting assumptions are unreliable. FPL's conclusions about supply and transportation costs do not take into account any of the risks of supply or the lack of redundancy of its own proposed pipeline. FPL's proposal rests on assumptions that are nothing more than simple, linear representations that fail to portray for the Commission the full range of gas supply and pricing risks. There is an insufficient basis for including such unreliable and speculative cost estimates in the electric ratebase.

**ISSUE 10:** Will the proposed Florida EnergySecure Line, including its connection with the upstream pipeline, provide the most cost-effective and reliable source of natural gas supply, transport, and delivery?

**FGT'S UPDATED POSITION:** No. It is wrong to burden the FPL ratepayers with a new \$1.6 billion pipeline without any risk to FPL, which when combined with the very high cost of the upstream pipeline, imposes an unnecessary and excessive multi-billion dollar burden on Florida electric ratepayers without any real benefits. FPL has attempted to create an end-to-end pipeline system that does not offer new, unique, or significant supply diversity, because that diversity already exists through the existing FGT pipeline, including shale gas that is already available to Florida customers. To the extent additional transportation needs exist, FPL ratepayers will be better served by incremental additions to existing pipeline systems which can be done at significantly less cost.

**ISSUE 11:** Is it appropriate for FPL to recover the costs associated with the proposed Florida EnergySecure Line through its electric utility rate base?

**FGT'S UPDATED POSITION:** No, and the entire pipeline if approved should be regulated as a separate entity under Chapter 368. There is no legal, policy, or economic basis for including a new 300 mile, multicounty natural gas transmission pipeline in the electric rate base where the entire cost will be borne by the electric ratepayers of Florida. Independent transmission

companies such as FGT are required to provide transportation at competitive rates with their own shareholders at risk for any unsubscribed capacity, not their customers, or their customers' ratepayers. If this pipeline is approved by the Commission, there will be no financial risk to FPL or its shareholders, only FPL's customers – its ratepayers, because the cost recovery for building the pipeline, whatever its utilization, becomes embedded in electric rates – even if the system never move *any* gas. With the proposed FPL pipeline insulated from risk in the ratebase, FPL would have an unfair competitive advantage on the overall natural gas transmission market. This is an even greater problem now that FPL is admitting it has excess capacity that it will have to sell. Regardless of the merits of the pipeline itself, adding a \$1.6 billion gas transportation pipeline to FPL's electric rate base would establish a new policy precedent that is not in the best interests of Florida consumers. Finally, approval of the pipeline would give credence to an unnecessary upstream interstate pipeline, the costs of which would also flow directly through to FPL's ratepayers.

**ISSUE 12:** Should FPL be required to file a post-construction report that details the final cost of the EnergySecure Line within 90 days of completion?

**FGT'S POSITION:** Yes, consistent with prior Commission practices.

**ISSUE 13:** Should a separate entity be established to own and operate the pipeline?

**FGT'S UPDATED POSITION:** Yes. FPL has not demonstrated why this pipeline should be treated differently than every other gas transmission pipeline, nor has it quantified any adverse costs or consequences associated with being in a separate entity. There is no regulatory or public policy basis for classifying a 300 mile, multicounty, high pressure, \$1.6 billion gas transportation pipeline as electric ratebase. With rate base treatment, FPL will not suffer any risk of under-recovery of costs or any failure to earn a full equity return on its pipeline investment, regardless of whether the system ever transports any gas, let alone the inflated 600MMcf/d claimed by FPL. This is not the case with independent pipeline investments. FERC regulated pipelines set rates based on their cost of service, including an equity return, based on an assumed 100% load factor on the system. If these systems do not contract for the full capacity, they will not recover the equity return that would be allowed, thereby burdening their shareholders with this risk – not their ratepayers. In FPL's proposal, there is no incentive to achieve a highly utilized system, especially given their highly inflated and unreliable demand assumptions. As a result, FPL's ratepayers bear the entire burden of the costs of the pipeline and FPL bears no risk. Even if FPL does sell some of the admitted excess capacity, such sales would first require the construction of additional laterals and interconnects the expense of which FPL would further impose on its ratepayers. It is not right or fair for ratepayers to pay for one costly mistake by piling on more unnecessary costs. Assuming that FPL could otherwise establish that the pipeline is appropriate, the only proper ratepayer treatment is for the entire cost and operation of this asset to be placed in a separate entity and regulated under Chapter 368.

**ISSUE 14:** If FPL owns and operates the Florida EnergySecure Line as proposed, will it be subject to the Commission's jurisdiction as an intrastate pipeline company pursuant to Chapter 368, Florida Statutes?

**FGT'S UPDATED POSITION:** Yes. Whether FPL sells excess capacity or not, the entire pipeline is subject to regulation under Chapter 368 and should be placed in a separate entity. Since FPL has now acknowledged that its proposed pipeline would have excess capacity that FPL would attempt to sell, then FPL axiomatically would be "owning or operating for compensation facilities located wholly within this state for the transmission or delivery for sale of natural gas . . ." Failure to regulate this pipeline under Chapter 368 would be improper. It would create significant regulatory and policy problems and make it more complicated – if not impossible – to ensure that Florida electric ratepayers would be protected from the multibillion dollar risk FPL wants to impose on consumers. The EnergySecure Line may also be subject to Federal Energy Regulatory Commission regulation under Section 311 authority.

**ISSUE 15:** If FPL owns and operates the Florida EnergySecure Line as proposed, will it " . . . provide transmission access, subject to available capacity, on a basis that is not unreasonably preferential, prejudicial, or unduly discriminatory. . .", as section 368.105(6) requires?

**FGT'S UPDATED POSITION:** No. If the pipeline is included in the rate base, then ratepayers would be forced to cover excessive and unnecessary expenses for capacity that is not needed or utilized, which is certainly prejudicial. Moreover, since FPL has admitted that its pipeline is oversized and that it will sell the excess capacity, inclusion of the pipeline in ratebase and not regulating it under Chapter 368 would be improper. Allowing FPL to operate the pipeline as part of its electric generation ratebase would be unreasonably preferential, prejudicial, and unduly discriminatory for customers, other pipeline companies, and other forms of energy, such as solar. The Commission needs to ensure there is full, open, and transparent information as to how such transportation services would be provided, and allow third parties priorities equal to FPL's electric operations in utilization of the pipeline just like any other transportation provider. The only way to ensure these policy objectives is to require the pipeline to be placed in a separate gas transmission entity, subject to strong open access and transparent operating rules mandated by the Commission under Chapter 368.

**ISSUE 16:** Based on the resolution of the previous issues, should FPL's petition for determination of need for the EnergySecure Line, a natural gas transmission pipeline as defined in Section 403.9403(16), Florida Statutes be approved?

**FGT'S UPDATED POSITION:** No. FPL's proposed pipeline is not in the best interests of FPL's ratepayers or the State of Florida. FPL has failed to demonstrate the need for its proposed intrastate pipeline, and so it should be denied. FPL has failed to establish that there is sufficient demand to support the construction and expense of the proposed intrastate pipeline, and has similarly failed to demonstrate that the proposed \$1.6 billion intrastate pipeline, coupled with the highly costly upstream pipeline, is the best economic alternative and in the best interest of FPL's ratepayers. Alternatively, if the Commission were to find that this pipeline should be approved, then the Commission should deny FPL's request to include it in the electric ratebase and instead order that the pipeline be constructed, operated, and financed through a fully separated entity and regulated through Chapter 368.

**E. PENDING MOTIONS**

None at this time. However, FGT reserves the right to submit a motion to accept surrebuttal testimony as was indicated at the prehearing conference.

**F. PENDING CONFIDENTIAL CLAIMS OR REQUESTS**

Notice of Intent to Request Confidential Classification dated June 22, 2009.  
Notice of Intent to Request Confidential Classification dated July 1, 2009.

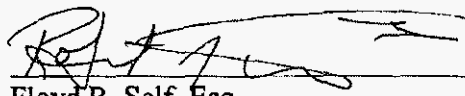
**G. OBJECTIONS TO A WITNESS' QUALIFICATION AS EXPERT**

None at this time.

**H. ANY OTHER REQUIREMENTS THAT CANNOT BE COMPLIED WITH**

None at this time.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that true and correct copies of the foregoing have been served by Electronic Mail and/or U. S. Mail this 7<sup>th</sup> day of July, 2009 upon the following:

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