GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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October 29, 2014

HAND DELIVERY

Ms. Carlotta Stauffer, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket 140189 -- Petition for approval of transportation service agreement for an extension in Nassau County with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.**

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven copies of Peninsula Pipeline Company's Responses to Staff's First Data Requests.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating

Beth Keating
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Tallahassee, FL 32301
(850) 521-1706

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[CLK note: Cover letter States document from Peninsula; document is actually from FPUC]
AHMcLean

12. Did FPUC issue a Request for Proposals (RFP) to obtain construction cost estimates for the line extension from other entities? If the answer is affirmative, please identify all respondents to the RFP and provide an explanation regarding why their proposals were rejected. If the answer is negative, please state why FPUC did not solicit competitive bids.

Response:

FPUC did not issue a Request for Proposal (RFP) to obtain construction cost estimates from other entities for this line extension. This project is an extension from an existing Peninsula pipeline for which FPU already has an existing transportation Service Agreement with Peninsula. The capacity quantity held by FPU on the existing Peninsula pipeline is the same capacity that will be used to deliver gas to the proposed pipeline extension. Operationally, it is not practical to insert another pipeline operator for a relatively small extension.

13. Did FPUC consider building the facilities itself in lieu of contracting with Peninsula? If the answer is affirmative, please provide an estimate of what the costs to FPUC would be if it were to undertake the project itself.

Response:

Historically, transmission laterals in Florida to serve areas without natural gas service were constructed by the FERC regulated interstate pipeline companies. LDC's would either contract for additional interstate pipeline capacity in sufficient quantities, usually over a twenty-year term, to enable the pipeline to recover its costs or directly reimburse the transmission pipeline for its construction costs. The pipeline capacity costs were recovered from all customers through the LDC's PGA cost recovery mechanism or an allocation of pipeline capacity costs to transporting Shippers transporting gas for retail customers to the LDC's system. Several years ago the FERC pipelines discontinued building small diameter lateral pipelines (and sold many existing laterals, such as the Riviera Beach lateral purchased by FPU) due to increasing maintenance requirements. The laterals to serve new areas are generally larger diameter pipe and longer distance than typical LDC expansion projects. The economic construction of such laterals by LDC's to serve new areas is usually challenging under the existing LDC tariff extension of facilities policies.

Intrastate transmission companies, as contemplated by Chapter 368, were originally conceived, in part, to provide a statutorily approved intrastate pipeline option to extend service to new areas. The intrastate pipeline charges for transportation service would replace those historically charged by FERC interstate pipelines. The intrastate charges would be recoverable through the LDC's PGA from all customers, just as the interstate charges are recovered.

FPU evaluated the cost recovery of constructing the original Nassau County transmission pipeline within the LDC. The original project was constructed through Peninsula to ensure that the cost of expanding gas service to a previously unserved area would be spread among all customers,

consistent with the Commission's historic cost recovery practice for interstate pipeline expansion costs. FPUC plans to recover charges from Peninsula for the current expansion project in the same manner.

14. How does FPUC plan to recover its payments to Peninsula pursuant to the agreement?

__Response:__
As noted above, FPUC will seek to recover its payments to Peninsula through its PGA mechanism.

15. Will FPUC seek to recover the payments to Peninsula through the PGA? If the answer is affirmative, what is the projected $/therm impact to the PGA factor in 2016?

__Response:__
The Company will seek to recover the payments to Peninsula through PGA. Historically, the Commission has allowed recovery, through the clause, of upstream transmission pipeline capacity, transportation and related supply costs associated with service expansions to new areas. The Commission reviewed and approved the Company's agreements with both PPC and TECO/PGS to bring natural gas service to Nassau County.

The Company has already included the costs of existing interstate and intrastate capacity agreements, as well as the increased costs for gas supply regarding William Burgess in the Company's 2015 PGA projections. The projected annual impact to the 2016 PGA factor will be [redacted]therm