GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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REDACTED

February 16, 2015

HAND DELIVERY

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

Re: **Docket 150031-GU -- Petition for approval of transportation service agreement with the Florida Division of Chesapeake Utilities Corporation 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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Peninsula Pipeline Company's
Response to Staff's First Data Request 1-10
FPSC Docket No. 150031-GU

1. What is the cost to Peninsula to construct/install the new 14.2 mile 6-inch high pressure pipeline (including any necessary appurtenances) from the Gulfstream Baseball City gate to the three Points of Delivery? Please include a general description of the types of costs that will be incurred (*e.g.*, materials, labor, permitting, secure right-of-way, etc.).

Response:

The cost to Peninsula to construct the 14.2 mile extension of the CFG distribution system from the Gulfstream Baseball City gate to the three Points of Delivery includes:

(a) [redacted] includes costs related to labor
(b) [redacted] includes costs related to materials
(c) [redacted] includes costs related to gate stations, custody transfer points and pressure regulating devices.
(d) [redacted] includes costs related to permitting and surveying.

2. Will Peninsula need to obtain approval from any other state or local agencies to construct the pipeline? If the answer is affirmative, please provide a brief description of the approvals that will be required.

Response:

Peninsula is required to obtain permits from the Florida DOT, CSX Railroad, Polk County and the Cities of Davenport and Haines City to install the pipeline and related facilities. All required permits have been applied for, and applicable permits are expected by March 2015.

3. When does Peninsula anticipate that construction of the pipeline will commence and what is the estimated completion date?

Response:

The engineering has been completed and permitting is currently underway. Gulfstream is in the process of upgrading the gate station. Peninsula anticipates construction on the primary pipeline to commence upon PSC approval, with an expected completion late in the 3rd quarter of 2015.

4. Please describe the manner in which Peninsula will recover its costs associated with the 14.2 mile pipeline.

Response:

Peninsula's project costs are recovered through monthly reservation charges to customers.

5. Please identify and explain the types of costs that the monthly reservation charge as shown on Exhibit A to the agreement is designed to recover.

Response:

The costs associated with the monthly reservation charge include , but are not limited to, design engineering, permitting, material and installation costs associated with constructing the pipeline and related facilities, on-going maintenance costs to meet PHMSA compliance and safety requirements, property taxes, gas control and Peninsula's return on investment.

6. Please provide the basis for the derivation of the Unauthorized Use Rate shown in Exhibit A to the agreement.

Response:

The Unauthorized Use Rate, as shown in Exhibit A is, was incorporated as provided in Sheet No. 20 of Peninsula's approved Natural Gas Transmission Pipeline Tariff. In the event that Peninsula was the DPO we would have the right to assess the penalty for unauthorized use. The rate is intended to protect Peninsula from unauthorized use penalties that could be assessed to Peninsula from upstream pipelines in the event CFG exceeded its delivery limits into the system for transport to Peninsula's pipeline. Sheet 23 of Peninsula's tariff describes the company's Operational Balancing Account provisions. Any penalty charges (or credits) received by Peninsula from upstream transporters, resulting from the actions of CFG, would be billed or credited to the applicable Shipper, in this case CFG.

7. In the petition, Peninsula states that: (a) "the rate charged under this agreement is not 'inherently unfair' or in excess of the going market rate" (pages 5-6, paragraph 12), (b) "the rates in the contract are consistent with rates offered to similarly situated customers of Peninsula" (page 8, paragraph 18), and (c) "the rate set forth...is consistent with a 'market rate' similar to rates in other agreements between Peninsula and other customers" (page 5, paragraph 10). Please provide an analysis to support these statements, and identify the similar agreements.

Response:

The "market rate" referred to on page 5-6 of the petition, paragraph 12, is determined based on the investment and operational costs specific to each project. Peninsula does not operate an interconnected pipeline system. Peninsula's intrastate pipelines are typically designed to serve a single customer in a given location with a particular set of design conditions (pipe size, pressure, delivery quantity capabilities, etc.). Each project exhibits its own unique installation characteristics; pipe size and thickness, distance of the installation, construction conditions, permitting scope, regulation and metering facilities, on-going operational issues, etc. Peninsula

establishes rates that are designed to recover its cost to serve given the specific considerations of each project. The rates are market based in that they are subject to negotiation and designed to reflect reasonable cost recovery for the specific projects as opposed to a standard tariff rate per Dt. Peninsula designed this project with similar utility return, capital and debt structures. As shown in Attachment 1 the construction estimates received from other third parties are significantly higher costs than the cost estimate submitted by Peninsula. While it is possible to calculate a "rate" per Dt for each Peninsula customer, the dissimilarity in project scope and capacity quantities makes a project by project comparison somewhat meaningless. See Attachment 1 for comparison information.

8. Please refer to the monthly reservation charge (confidential) shown in Exhibit A to the agreement. Please describe the reasons for the significant difference between the amount shown in this agreement as compared to the monthly reservation charges (confidential) contained in the agreements presented in Docket Nos. 140189-GU and 140190-GU.

Response:

As noted above, the primary reason for the difference in the amounts of the reservation charges is related to the construction conditions associated with each of the projects individually. As projects differ, so will the costs, as well as the charges developed to recover those costs. The pipelines being proposed in Docket Nos. 140189-GU and 140190-GU were each shorter than the project proposed in this Docket. The reservation charge associated with Docket No. 140190-GU is designed to recover the costs to install approximately a quarter mile of 12 inch pipe in a highly congested, privately owned, asphalt surrounded property. Additionally, the pricing in Docket No. 140190-GU takes into consideration the activity associated with the recertification of the aforementioned quarter mile 12 inch pipe. The associated cost per mile, taking into account the facility to be installed and the conditions, in Docket No. 140190-GU was [redacted] per mile. By comparison, the reservation charge associated with Docket No. 140189-GU reflected a project that contemplated 4.6 miles of 6 inch pipe in primarily open space. Consequently, the costs for that project were significantly less at [redacted] per mile. The project in this docket, Docket No. 150031-GU, is, in contrast, a much longer project that runs over 14 miles of 6 inch pipe. The pipeline being considered in this docket is subject to different facility and construction costs consistent with the scope of the project and the stated conditions. As a result, the costs, and therefore the charges, are different.

9. Please provide a map showing the location(s) of the planned Peninsula facilities.

Response:

See Attachment 2.

10. Please clarify the meaning of the last sentence in Section 2.1 on page one of the transportation service agreement.

Response:

The shipper (CFG) is contracting with PPC to install and maintain this pipeline extension. As such, the upfront construction costs, as well as on-going operation and maintenance costs associated with this project are the responsibility of PPC. In this agreement CFG has agreed to pay the monthly reservation charge as detailed in Exhibit A to the agreement.

CENTRAL FLORIDA GAS COMPANY
HAINES CITY EXPANSION PROJECT
EVALUATION OF PROPOSALS

Status	Company	Description of Project	Upstream Pipeline	Term	MDTQ	Capital Investment	Upfront Cost Reimbursement	Annual Rate	Cost p/Mile
Proposed	PPC to CFG via HWY 27 in Polk County	14.2 miles 6" steel via HWY 27 in Polk County	[redacted]	20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Estimate	[redacted]	11.6 miles 6" steel	[redacted]	20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Estimate	[redacted]	12 miles of 6" steel	[redacted]	20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Completed	PPC to FPU via Wm Burgess (Docket No. 140089-GU)	4.6 miles 6" steel via Wm Burgess	[redacted]	20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Completed	Peninsula Pipeline Company Affiliate (Docket No. 140190-GU)	Custody transfer point with Peninsula at Broadway Ave. & Middle Rd. in Riviera Beach - at the Port of Palm Beach.	[redacted]	20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]