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 the Joint Request of Peninsula Pipeline Company, Inc. and the Florida Division of Chesapeake Utilities Corporation for Confidential Classification of information contained in their respective responses to Commission Staff's First Data Requests to the Companies. Also included with this Request are the required highlighted and redacted copies of the referenced pages containing confidential information.

As always, please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of transportation service agreement with the Florida Division of Chesapeake Utilities Corporation by Peninsula Pipeline Company, Inc.	) Docket No. 150031-GU)) Filed: February 16, 2015))

JOINT REQUEST OF THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION AND PENINSULA PIPELINE COMPANY FOR CONFIDENTIAL CLASSIFICATION

The Florida Division of Chesapeake Utilities Corporation ("CFG") and Peninsula Pipeline Company, Inc., ("Peninsula")(jointly herein "Companies") by and through the undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(4), Florida Administrative Code, hereby submit their Joint Request for Confidential Classification for information contained in their respective responses to Commission Staff's First Data Requests, issued to the Companies on January 23, 2015, as well as information contained in Attachment 2 to the Responses provided by Peninsula. In support thereof, the Companies hereby states:

1. The Companies seek confidential classification of the highlighted rates and terms in the Companies' respective responses to the Staff's Data Requests, which represent contractual information that both Peninsula and CFG treat as proprietary confidential business information consistent with the definition of that term in Section 366.093, Florida Statutes, as well as cost information that Peninsula also considers proprietary confidential business information.

2. The information for which the Companies seek confidential classification is information that both treat as confidential, and that meets the definition of "proprietary confidential business information" as set forth in Section 366.093(3), Florida Statutes, which provides:

> (3) Proprietary confidential business information means information, regardless of form or characteristics, which is owned or controlled by the

> person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public. Proprietary confidential business information includes, but is not limited to:
> (a) Trade secrets.
> (b) Internal auditing controls and reports of internal auditors.
> (c) Security measures, systems, or procedures.
> (d) Information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.
> (e) Information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.
> (f) Employee personnel information unrelated to compensation, duties, qualifications, or responsibilities.

3. Specifically, the Companies seek confidential classification of the highlighted information in Peninsula's response to Data Request 1 (page 1, highlighted amounts in lines a, b, c, and d), and Data Request 8 (page 3, "per mile" amounts identified in lines 10 and 13 of response), as well as Attachment 1, and in CFG's response to Data Request 11 (page 1, highlighted information in lines 1, 2, 4-8, 9-10, and 15-19). With regard to Attachment 2, the Companies seek confidential classification of the highlighted information in all lines for the columns "Upstream Pipeline," "MDTQ," "Capital Investment," "Upfront Cost Reimbursement," "Annual Rate," "Cost p/Mile," and the information in the two "Estimate" lines of the Column "Company." The information represents contractual terms and related cost information that, if disclosed, could impair both Companies' ability to contract for goods and services, could impair Peninsula's competitive interests, and could result in harm, ultimately, to CFG's ratepayers. The information at issue, therefore, falls within Section 366.093(3)(d) and (e), Florida Statutes.

4. Included with this Request are highlighted copies of the Companies' responses, including Attachment 2, reflecting the confidential information. Also enclosed are two redacted copies of the referenced information.

5. The Companies ask that confidential classification be granted for a period of at least 18 months. Should the Commission determine that it no longer needs to retain the information, the Companies respectfully request that the confidential information be returned to the respective Company.

WHEREFORE, CFG and Peninsula respectfully request that the highlighted information contained in CFG's and Peninsula's responses to Commission Staff's First Set of Data Requests, including Attachment 2 thereto, be classified as "proprietary confidential business information," and thus, exempt from Section 119.07, Florida Statutes.

RESPECTFULLY SUBMITTED this 16th day of February, 2015.

Beth Keating

Beth Keating
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215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing Request has been served upon the following by U.S. Mail this 16th day of February, 2015:

Honorable J.R. Kelly
Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street, Rm 812
Tallahassee, FL 32399-1400

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
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(850) 521-1706

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.

<u>Response:</u>

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.

<u>Response:</u>

See Attachment 2.

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

<u>Response:</u>

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]

11. Did CFG issue a Request for Proposals (RFP) to obtain construction cost estimates for the pipeline 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 CFG did not solicit competitive bids.

Response:

CFG requested construction cost estimates for this project from [redacted] responded with the following detail on the cost to construct their respective laterals.

1. **[redacted] estimated the cost to complete the construction of a lateral in this vicinity to be approximately [redacted]**
2. **[redacted] estimated the cost to complete the construction of a lateral in this vicinity to be approximately [redacted]**

Given the magnitude of the construction estimates received from [redacted] and [redacted] CFG also requested a proposal from Peninsula Pipeline. Following is the detail of the project bid from Peninsula:

3. **Peninsula estimated the cost to complete at approximately [redacted] requiring CFG to pay approximately [redacted] annually through a reservation charge for this project. This alternative is less expensive than all other alternatives and mitigates risks associated with CFG completing the work by avoiding the upfront cost, as well as the additional expense associated with a potential rate proceeding as discussed in the response to question number 12. Please refer to Attachment 1 for a summary of alternatives.**

[redacted].

12. Please refer to paragraph 17 on page 7 of the petition. Please identify the reasons why CFG believes it would need to file a rate case or limited proceeding if it were to undertake the project itself.

Response:

CFG believes taking on this project on its own would result in the need for a rate case or limited proceeding. We believe the costs associated with building this pipeline as well as

other investments would put CFG below its allowable rate of return; thus, requiring us to file a costly case to reset rates.

13. The petition makes several references to other available options that were considered by CFG (page 5, paragraph 10; page 6, paragraph 12, page 7, paragraph 15; page 7, paragraph 17). Please identify the other alternatives considered and elaborate on why "Peninsula provided the least cost option of the alternatives available to CFG" (page 8, paragraph 17).

Response:

Refer to response for question number 11 above.

14. Please elaborate on what is encompassed by the "anticipated additional safety compliance requirements" referred to on page 8 of the petition, paragraph 17.

Response:

Because of the pressures required on this line, the pipe will be rated as a transmission line for purposes of safety inspections and maintenance. As such, a transmission integrity plan will be required, quarterly leak surveys, reassessments every seven years, which include electrical surveys and direct dig assessments. These are not activities with which CFG typically is required to engage in for its distribution lines. To undertake these additional requirements, CFG would incur additional costs because the activities are beyond those normally undertaken by CFG.

15. How does CFG plan to recover its payments to Peninsula pursuant to the agreement?

Response:

As with all interstate, intrastate and LDC to LDC cost incurred by CFG, and as prescribed for in the CFG tariff, all costs are directly assigned and allocated to the shippers. Shippers may subsequently recover these costs through commercial agreements with their customers.

16. Will CFG 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:

CFG does not currently have a PGA provision associated with its system. These costs will be directly assigned and allocated to the shippers who may subsequently recover them through existing commercial agreements with their customers. The estimated impact of allocating these costs to the Transitional Transportation Service ("TTS") pools, or a typical residential customer, would be approximately $2.79 per month. Chesapeake is currently working toward standardizing and consolidating the transportation programs and fuel cost recovery mechanisms

on the tariffs of both CFG and FPU, which, if approved, would further reduce this impact to an individual customer.