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IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box 1531
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March 25, 2015

VIA FEDEX

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

REDACTED

RECEIVED - FPSC
15 MAR 26 AM 11:10
COMMISSION
CLERK

Re: Petition for approval of amendment to special contract with Peninsula Pipeline Company, by Peoples Gas System

Dear Ms. Stauffer:

We enclose for filing with the Commission:

1. the original and seven (7) copies of the petition of Peoples Gas System referenced above (**confidential treatment** is being requested for portions of Exhibits A, B and C to the petition);
2. the original and seven (7) copies of Peoples Gas System's Request for Specified Confidential Treatment of portions of Exhibits A, B and C to the above petition; and
3. a single unredacted copy of Exhibits A, B and C to the petition in which the sensitive information for which confidential treatment is sought has been highlighted.

Redacted electronic versions of the enclosures will be e-mailed once Staff has been assigned.

In the original and all seven (7) "public" copies of the petition identified above, the sensitive information in Exhibits A, B and C has been redacted.

Please acknowledge your receipt and the date of filing of the enclosures, together with the docket number assigned, on the enclosed duplicate copy of this letter, and return the same to me in the preaddressed envelope which is also enclosed.

COM _____
 AFD _____
 APA _____
 (ECO) 6 _____
 ENG _____
 GCL _____
 IDM _____
 TEL _____
 CLK _____

Carlotta S. Stauffer, Director
March 25, 2015
Page 2

Thank you for your usual assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ansley Watson, Jr.", written in a cursive style.

ANSLEY WATSON, JR.

AWjr/a
Enclosures

cc: Office of Public Counsel
Kandi M. Floyd
Andrew M. Brown, Esq.
Ashley R. Kellgren, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amendment to)
special contract with Peninsula Pipeline Company,)
by Peoples Gas System.)
_____)

Docket No.

Submitted for Filing:
3-26-15

PETITION FOR APPROVAL OF AMENDMENT TO SPECIAL CONTRACT

Peoples Gas System ("Peoples" or the "Company"), by and through its undersigned attorneys, and pursuant to Section 366.06, *Florida Statutes*, and Rule 25-9.034(1), *Florida Administrative Code*, hereby petitions the Commission for approval of an amendment to the special contract with Peninsula Pipeline Company ("Peninsula") approved by the Commission's Order No. PSC-12-0230-PAA-GU, and in support thereof states:

1. The name and address of the petitioner are:

Peoples Gas System
702 N. Franklin Street
Tampa, Florida 33602

2. The persons to whom notices, orders and pleadings in this docket should be addressed are:

Ansley Watson, Jr., Esquire
Andrew M. Brown, Esquire
Ashley R. Kellgren, Esquire
Macfarlane Ferguson & McMullen
Post Office Box 1531
Tampa, Florida 33601-1531

Paula K. Brown
Regulatory Affairs
Peoples Gas System
Post Office Box 111
Tampa, Florida 33601-0111

Kandi M. Floyd
Manager – State Regulatory
Peoples Gas System
Post Office Box 2562
Tampa, Florida 33601-2562

3. Peoples is a natural gas distribution utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*. Its substantial interests will be affected by the Commission's disposition of this petition in that such disposition will determine whether Peoples

will be permitted to provide gas transportation service for Peninsula on terms agreeable to Peoples and Peninsula, as well as terms favorable to Peoples' general body of ratepayers.

4. Peninsula and Peoples own in common the Fernandina Beach Line -- a 16.1-mile pipeline terminating at the Fernandina Beach paper products mill owned by RockTenn CP, LLC ("RockTenn"), both the Fernandina Beach Line and RockTenn being more particularly described in the Commission's Order No. PSC-12-0230-PAA-GU (the "Transport Agreement"). Peoples provides gas transportation service under the Transport Agreement through its distribution system in order to deliver gas to Peninsula for further transportation through the Fernandina Beach Line to Peninsula's customers, including Florida Public Utilities Company ("FPUC").

5. Under the Transport Agreement previously approved by the Commission, more particularly described at pages 7 and 8 of Order No. PSC-12-0230-PAA-GU, Peninsula has been able to transport gas delivered by Florida Gas Transmission Company, LLC ("FGT"), for the account of FPUC through the Peoples distribution system, and into the commonly owned Fernandina Beach Line for further transportation to interconnections with the FPUC distribution system in Nassau County.

6. The amendment to the Transport Agreement for which approval is now sought is the result of Peoples' construction of a new interconnect on Southern Natural Gas Company's ("SNG's") Cypress Lateral that will enable Peoples to provide Peninsula with incremental transportation service through the Peoples system. Gas delivered from the new Peoples-SNG interconnect will then be transported by Peninsula through the Fernandina Beach Line for delivery by Peninsula to its customers.

7. Attached hereto as Exhibit B is an explanation of the transportation charges for Peninsula and their impact on Peoples' general body of ratepayers.

8. The Commission found in Order No. PSC-12-0230-PAA-GU that the Transport Agreement was "reasonable and cost based, and shall therefore be approved." Order at page 8. Attached hereto as Exhibit C is an Incremental Cost of Service Study with respect to the

incremental cost to provide service to Peninsula and the incremental revenues to be derived by Peoples from the provision of transportation service pursuant to the special contract as amended.

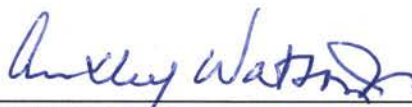
9. The Transport Agreement as amended by the First Amendment thereto for which approval is now sought generates revenues in excess of the cost of service, thereby providing benefits to Peoples' general body of ratepayers.

10. Rule 25-9.034(1) requires Commission approval of special contracts. The Commission has already approved the Transport Agreement between Peoples and Peninsula, and Peoples requests that the Commission approve the First Amendment to that agreement as described in this petition.

11. Peoples is not aware of any disputed issues of material fact.

WHEREFORE, Peoples Gas System requests that the Commission enter its order approving the amendment to the Gas Transportation Agreement with Peninsula.

Respectfully submitted,



Ansley Watson, Jr.
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Andrew M. Brown
Phone: (813) 273-4209
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P. O. Box 1531
Tampa, Florida 33601-1531

Attorneys for Peoples Gas System

EXHIBIT A

**FIRST AMENDMENT TO
GAS TRANSPORTATION AGREEMENT**

PGS-PPC FIRST AMENDMENT TO GTA - EXECUTABLE

FIRST AMENDMENT
TO
GAS TRANSPORTATION AGREEMENT

This First Amendment to Gas Transportation Agreement (this "First Amendment") is made and entered into as of the 4th day of March, 2015, by and between Peoples Gas System, a division of Tampa Electric Company, a Florida corporation ("PGS"), and Peninsula Pipeline Company, Inc. a Delaware corporation ("PPC"), to amend certain provisions of the Gas Transportation Agreement dated as of January 24, 2012 between PGS and PPC (the "Agreement").

WHEREAS, PGS will engineer, design, construct, own, operate and maintain a new interconnect on Southern Natural Gas Company's ("SNG's") Cypress Lateral, together with necessary piping, metering, regulation and other required facilities (the "Expansion Project") to enable PGS to provide PPC with incremental transportation service; and the parties desire to amend certain portions of the Agreement to reflect the incremental quantities to be provided upon the completion and placing in service of the Expansion Project.

NOW, THEREFORE, in consideration of the premises, the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.

2. Article I of the Agreement is hereby amended by adding the following new defined terms:

"FGT Capacity Release Agreement" means the Pipeline Capacity Release Agreement dated as of January 24, 2012 between PGS and FPUC, as the same may be amended from time to time.

"SNG Capacity Release Agreement" means the Pipeline Capacity Release Agreement dated as of even date with the First Amendment to this Agreement.

"SNG" means Southern Natural Gas Company, a Delaware general partnership, its successors and assigns.

3. Section 4.2 of the Agreement is hereby amended by deleting the last sentence of such section, and replacing it in its entirety with the following sentence:

PGS has no obligation to confirm a quantity Nominated by PPC and scheduled by SNG for the accounts of all Shippers pursuant to this section greater in the aggregate than [REDACTED]

4. Section 5.1 of the Agreement is hereby amended by deleting the last sentence of such section, and replacing it in its entirety with the following sentence:

Each Month during the term of this Agreement, PPC shall pay to PGS for the reservation of firm capacity and the transportation service on the PGS distribution system contemplated by this Agreement the sum of [REDACTED]

5. Appendices A and B to the Agreement are hereby superseded and replaced by First Revised Appendices A and B attached to this First Amendment.

6. The effectiveness of this First Amendment is conditioned on the satisfaction or waiver of the following conditions precedent:

- A. Its approval by PGS senior management on or before January 31, 2015;
- B. Its approval by PPC senior management on or before December 31, 2014;
- C. Approval by PPC senior management of the Power Purchase Agreement between PPC and Rayonier, Inc., on or before December 16, 2014;
- D. The completion and placement in service by SNG of the new SNG-PGS interconnect on the SNG Cypress Lateral (currently projected to be July 1, 2016); and
- E. Approval of this First Amendment by the FPSC. Each party to this First Amendment shall exercise commercially reasonable efforts to obtain the FPSC's approval of this First Amendment.


Either party to this First Amendment shall have the right to terminate this First Amendment, and the same shall be of no further force or effect, in the event any of the above conditions is not satisfied or waived (as the case may be). In the event that this First Amendment is terminated pursuant to this Paragraph 6, the Agreement shall continue in full force and effect in accordance with its terms.

7. Subject to Paragraph 6 above, this First Amendment shall be effective as of the later to occur of (i) the first Day of the first Month following the date on which the new PGS interconnect on Southern Natural Gas Company's Cypress Lateral contemplated as a part of the Expansion Project is placed in service by Southern Natural Gas Company and (ii) the date on which approval by the FPSC of this First Amendment becomes final and non-appealable.

8. Except as modified by this First Amendment, the Agreement shall continue in full force and effect.


IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by their respective duly authorized officers as of the date first above written.

**PEOPLES GAS SYSTEM, a division of
TAMPA ELECTRIC COMPANY**

By: 

Bruce Narzissenfeld
Vice President - Fuels

PENINSULA PIPELINE COMPANY, INC.

By: 
Name: Kevin Webber

Vice President

**FIRST REVISED APPENDIX A -
GAS TRANSPORTATION AGREEMENT**

PGS RECEIPT POINT(S)

All capitalized terms not otherwise defined in this Appendix A shall have the meanings given to such terms in the Gas Transportation Agreement.

PGS will accept Gas from or for the account of Shippers pursuant to this Agreement for transportation pursuant to this Agreement at the following point(s):

<u>POINT</u>	<u>DRN</u>	<u>MAXIMUM TRANSPORTATION CAPACITY (MTQ)</u>
FGT		██████████ per Day plus Retainage
SNG-PGS Nassau County	TBD	██████████ per Day plus Retainage
	Maximum Receipt Quantity	██████████ per Day plus Retainage

**FIRST REVISED APPENDIX B -
GAS TRANSPORTATION AGREEMENT**

PGS DELIVERY POINT(S)

All capitalized terms not otherwise defined in this Appendix B shall have the meanings given to such terms in the Gas Transportation Agreement.

Gas transported pursuant to this Agreement shall be delivered by PGS to PPC at the PGS-Fernandina Beach Interconnect. The Maximum Delivery Quantity shall be [REDACTED] per Day, subject to increase from time to time as provided in this Agreement.

PGS will provide adequate pressure at the PGS Delivery Point in order to supply [REDACTED] at the Rayonier, Inc. paper mill located in Fernandina Beach, Florida, at a flow rate of [REDACTED] per hour.

EXHIBIT B

COMPARISON OF ANNUAL INCREMENTAL COST OF SERVICE AND REVENUES FOR PENINSULA PIPELINE COMPANY (AS AMENDED)

Under the Transport Agreement, Peninsula currently pays to Peoples a monthly reservation charge of [REDACTED] for deliveries of up to the Maximum Daily Delivery Quantity ("MDQ") of [REDACTED], plus a usage charge of [REDACTED] for all quantities delivered by Peoples in excess of the MDQ. Pursuant to the First Amendment to the Transport Agreement for which the Commission's approval is sought herein, the monthly reservation charge will increase to [REDACTED] to reflect recovery by Peoples of a return on the construction of the new SNG interconnect and the increased quantities to be transported under the agreement as amended (an incremental [REDACTED]).

As demonstrated by the Incremental Cost of Service Study attached to this petition as Exhibit C, the incremental annual transportation revenues derived from the Transport Agreement as amended by the First Amendment will enable Peoples to more than recover the fully allocated incremental cost of providing the additional transportation service to Peninsula. As shown by the study, the projected [REDACTED] incremental annual operating costs will be fully recovered and provide Peoples with a return on its net investment through the incremental annual revenues of [REDACTED].

The Transport Agreement as amended by the First Amendment thereto generates revenues in excess of the cost of service, thereby providing benefits to Peoples' general body of ratepayers.

EXHIBIT C

INCREMENTAL COST OF SERVICE STUDY

Cost of Service Study
Peninsula Pipeline Company - Nassau County
Peoples Gas System, a Division of Tampa Electric Company

Cost of Service

Line	Description	Amount
1	Operation and Maintenance	[REDACTED]
2	Depreciation	4.20% [REDACTED]
3	Taxes other than Income	[REDACTED]
4	Income Taxes	[REDACTED]
5	Return Requirements	[REDACTED]
6	Total Cost of Service	[REDACTED]
7	Projected Average Annual Revenue	[REDACTED]