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June 13, 2023

BY E-PORTAL

Mr. Adam Teitzman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Docket No. 20230063-GU: Petition for approval of transportation service agreement
with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.**

Dear Mr. Teitzman:

Attached for filing, please find the Joint Responses of Florida Public Utilities Company and Peninsula Pipeline Company to Staff's Second Set of Data Requests.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating
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MEK
cc:/(OPC)

**Joint Responses of Peninsula Pipeline Company and Florida Public Utilities Company to
Staff's Second Data Requests**

- 1. Please discuss any protections in place for FPUC's general body of ratepayers if the projected natural gas load in and around the City of Newberry does not materialize after Peninsula has completed the Newberry project.**

Company Response:

The proposed project is not solely based upon new growth but has been designed in order to supply gas to existing and future businesses and residents, all of which are potential customers. The Company has received letters of intent from residential home developers and commercial businesses in the City of Newberry ("City") for gas service. Many of these potential customers are currently receiving propane service and anticipate switching to natural gas as a less expensive fuel source. Further, FPUC has worked closely with the City of Newberry and has strong confidence that the projected growth will come to the City as it continues to develop.

Nevertheless, in a scenario in which the actual load doesn't meet projections, FPUC would have excess capacity available on the new Peninsula line. The line would be close enough to provide an access point for another utility in the area to access FGT's west leg. As such, FPUC would endeavor to sell its excess capacity on the Peninsula line and use the proceeds to offset the PGA costs to the general body of rate payers. In that scenario, 100% of the proceeds of the capacity sold would be applied to the PGA.

- 2. Please discuss why FPUC contracted with Peninsula to build the Newberry project, as opposed to FPUC undertaking the project. Please discuss any impacts on FPUC's general body of ratepayers under either scenario.**

Company Response:

Scenario 1 – Peninsula Builds and Owns

The project proposed is one that traditionally falls under the portfolio of Peninsula's pipeline operations. Peninsula's portfolio of pipelines consists of those that connect interstate gas supply to a distribution system or an end use customer. In the case of this project, Peninsula is connecting Florida Gas Transmission to FPUC. This makes the project one that logically makes sense for Peninsula to construct, own, and operate. Having Peninsula own and construct the project provides a level of protection to FPUC's general body of rate payers from potential unforeseen construction price increases or related challenges. The general body of ratepayers will see an impact through the PGA and Swing Service charges. The project will, however, bring service to a significant and growing county that, to date, has been largely unserved due to the economics of extending service to the area. As new customers are added, the impact to the general body of ratepayers will be disbursed over the larger body of ratepayers.

Scenario 2 – FPUC builds and owns

The length and sizing of the proposed pipeline is larger than FPUC would typically undertake on its own. Nevertheless, if FPUC were to build this pipeline based on the guidelines of the approved

MACC in the tariff, residential and commercial customers of the City of Newberry would bear the burden of financing the pipeline for gas service. The Contribution in Aid of Construction (CIAC) or Area Expansion Program (AEP) that would be required to make this project economical would unduly burden the City of Newberry and its residents seeking natural gas service. Even though FPUC projects to be able to add enough residential, commercial, and industrial, customers as a result of this extension to make the project very economical, the projected initial CIAC payment or AEP surcharge would be cost prohibitive for customers in the area. This is largely the reason service to this area has been extremely limited.

Scenario 1 is the better option from both FPUC's and Peninsula's perspectives in that it allows FPUC to leverage Peninsula's expertise for construction and ownership of the proposed pipeline, which in turn will enable FPUC to provide service to this area that is currently underserved and to do so in a way that is economical for those gaining service without placing undue risk on the general body of ratepayers.

3. **The petition states that the proposed pipeline project will allow FPUC to serve customers in Newberry and its vicinity that currently do not have gas service. However, current FPUC Tariff Sheet No. 4.007 shows Central Florida Gas as serving Newberry and unincorporated Alachua County. Please explain.**

Company Response:

The Company has provided natural gas service to certain customers closer to nearby Trenton, as well as natural gas service in the adjacent counties of Gilchrist and Union for a number of years. The City of Newberry has also issued franchise agreements to both CFG and FPUC, and the Company's unregulated propane affiliate has been providing propane service, including propane-based Community Gas Systems, for a number of years in Newberry and the surrounding areas of Alachua County. In 2020, in Docket No. 20200214-GU, the Company included these areas in its consolidated tariff filing given its existing unregulated activities and its intent to respond to inquiries regarding conversion of propane services to natural gas, as well as opportunities to serve larger load customers. As noted in prior meetings with staff, the Company has been investigating options for extending natural gas service into Newberry on an economical basis for some time and has had to go "back to the drawing board" on at least one occasion. Now, through the proposed agreement with Peninsula, FPUC believes it has found the right and most economical approach to extend natural gas service into the area, which will allow conversion of the propane customers to natural gas. Thus, in sum, the Company added the area to the tariff in 2020, but economic challenges around actually bringing service in have resulted in a 3-year delay.