

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Draper, Hudson) *EJD*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20230050-GU – Petition for approval of Amendment No. 1 to Escambia County firm gas transportation service agreement with Florida Public Utilities Company to reflect construction of additional delivery point, by Peninsula Pipeline Company, Inc.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 12, 2023, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of amendment No. 1 to Escambia County firm transportation service agreement (amendment) between Peninsula and Florida Public Utilities Company (FPUC) (collectively, the parties).

The purpose of the amendment is to revise certain provisions of the firm transportation service agreement, dated January 1, 2018, to reflect the construction of an additional point of delivery on the original project and to revise the monthly reservation charge to include the new point of delivery. Peninsula operates as an intrastate natural gas transmission company as defined by

Section 368.103(4), Florida Statutes (F.S).¹ FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S.

The firm transportation agreement was approved by the Commission in 2018 and provided for Peninsula to construct an interconnection between Peninsula and Florida Gas Transmission's (FGT) interstate pipeline at the northernmost edge of Escambia County.² From the interconnection with FGT, the pipeline constructed by Peninsula extends approximately 33 miles south and delivers natural gas to FPUC's distribution system. The pipeline was constructed to provide transportation service to an industrial customer, Pensacola Energy, and provide FPUC opportunities to serve additional customers. Pensacola Energy is a municipal natural gas utility and provides natural gas service to the City of Pensacola and certain other areas in Escambia County.

The 2018 firm transportation service agreement was executed between Peninsula and the Florida Division of Chesapeake Utilities Corporation. In the recent rate case Docket No. 20220067-GU, the Commission approved the consolidation of four natural gas utilities, including the Florida Division of Chesapeake Utilities Corporation, into one utility operating under the name FPUC.³ As a result of the consolidation, FPUC assumed the 2018 firm transportation service agreement. Due to the timing of the consolidation approved in the rate case, the proposed amendment included in the petition was not dated and signed. On July 17, 2023, the parties filed a fully executed amendment that was dated and signed.⁴

The proposed amendment, as filed on July 17, 2023, and project map are shown as Attachments A and B to this recommendation. During the evaluation of the petition, staff issued a data request to the parties for which responses were received on May 11, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S

¹Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

²Order No. PSC-2018-0233-PAA-GU, issued May 8, 2018, in Docket No. 20180015-GU, *In re: Petition for approval of transportation service agreement with Florida Division of Chesapeake Utilities Corporation, by Peninsula Pipeline Company, Inc.*

³Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

⁴Document No. 04101-2023.

Discussion of Issues

Issue 1: Should the Commission approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula?

Recommendation: Yes, the Commission should approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula. The proposed amendment is reasonable and meets the requirements of Section 368.105, F.S. (Draper, Hudson)

Staff Analysis: The parties explained that Pensacola Energy has requested an additional point of delivery to enhance their gas service in the area. Specifically, the proposed project will begin by installing a tap to the existing Peninsula pipeline near the intersection of US 29 and Champion Drive. From this tap, Peninsula will install 510 feet of two-inch pipeline to the new point of delivery. Peninsula states that construction will commence in July 2023 and be completed by September 2023.

The 2018 transportation agreement contains a negotiated monthly reservation charge that reflects Peninsula's cost to construct and maintain the pipeline constructed in 2018 in Escambia county. The proposed amendment includes the reservation charge approved in the 2018 transportation agreement and an additional amount related to Peninsula's costs to construct the facilities necessary in response to Pensacola Energy's request for the additional point of delivery.

The parties stated that the amount associated with the increase in the reservation charge will be solely paid by Pensacola Energy and will not impact FPUC's general body of ratepayers. Staff believes that is appropriate as Pensacola Energy requested the additional point of delivery. The parties confirmed that Pensacola Energy has been informed of the construction costs and its responsibility to pay FPUC for the additional point of delivery. Finally, the parties assert that the negotiated rates in the amendment meet the requirements of Section 368.105(3), F.S., and are consistent with a market rate in that they are within the range of the rates set forth in similar agreements.

Staff recommends that the Commission should approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula. The proposed amendment is reasonable and meets the requirements of Section 368.105, F.S.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Sandy)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

This First Amendment to Firm Transportation Service Agreement (“Amendment No. 1”) is made and entered into this 14th day of July, 2023, by and between Florida Public Utilities Company, a corporation of the state of Florida (herein called “Company” or “FPU”) (herein called “Shipper”) and Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “Company” and jointly with Shipper called “Parties”) to amend certain provisions of the Firm Transportation Service Agreement dated January 8, 2018 between Company and Shipper.

WITNESSETH

WHEREAS, Company and Shipper are parties to that certain Firm Transportation Service Agreement entered into on January 8, 2018, and approved by the Florida Public Service Commission (“FPSC”) in Docket No. 20180015-GU (the “Agreement”), pursuant to which Company provides Shipper with firm transportation service in Escambia County, Florida; and

WHEREAS, the Parties desire to amend the Agreement to change the Monthly Reservation Charge and to include a new Delivery Point and Point of Delivery, and to include certain additional language in Article III of the Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.
2. Article III of the Agreement is hereby amended by deleting Section 3.3 in its entirety and replacing it with the following:

If, at any time throughout the term of this Agreement, the Company is required by any Governmental Authority asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional tax charges (including, without limitation, income taxes and property taxes) with regard to the service provided by Company under this Agreement, then Shipper’s Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

3. Article III of the Agreement is hereby further amended by adding a new Section 3.4 as follows:

If, at any time throughout the term of this Agreement, the Company is required by any Governmental Authority asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional capital expenditures with regard to the service provided by Company under this Agreement, other than any capital expenditures required to provide transportation services to any other customer on the pipeline system serving Shipper's facility, but including, without limitation, mandated relocations of Company's pipeline facilities serving Shipper's facility and costs to comply with any changes in pipeline safety regulations, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

4. Exhibit A to the Agreement is hereby superseded and replaced by First Revised Exhibit A attached to this Amendment No. 1.

5. The Parties agree that the rates, terms and conditions of this Amendment No. 1 may be placed into effect upon execution. The Parties further agree that, in the event that: (a) the FPSC declines to approve Amendment No. 1 to the Agreement; or (b) the FPSC fails to address Amendment No. 1 to the Agreement within twelve (12) months of execution; or (c) any person whose substantial interests are affected files a timely protest of the FPSC's order approving Amendment No. 1 to the Agreement, the rates, terms and conditions shall revert to the original Agreement as approved by FPSC Order No. PSC-2018-0233-PAA-GU.

6. Except as modified by this Amendment No. 1, the Agreement shall remain unchanged and continue in full force and effect.

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be executed by their duly authorized officers or representatives effective as of the date first written above.

COMPANY:
Peninsula Pipeline Company, Inc.

SHIPPER:
Florida Public Utilities Company

By: Marissa Stipa
Marissa Stipa

By: Bill Hancock
Bill Hancock
cn=Bill Hancock, o=Chesapeake Utilities Corporation, ou=APP Fuel Supply and Energy Logistics, email=bhancock@chpk.com, c=US, 2023.07.14 16:43:41 -0400

Title: Director

Title: Assistant Vice President

Date: 07/14/2023

Date: _____

(To be attested by the corporate secretary if not signed by an officer of the company)

By: Murali Chandrasekaran

By: _____

Title: VP, Regulatory Affairs

Title: _____

Date: 7/17/23

Date: _____

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

FIRST REVISED EXHIBIT A

TO

FIRM TRANSPORTATION SERVICE AGREEMENT

BETWEEN

PENINSULA PIPELINE COMPANY, INC.

AND

FLORIDA PUBLIC UTILITIES COMPANY

Description of Transporter Delivery Point(s)

1. Interconnection with FGT Gate Station at mile post 238.6 in Escambia County, FL

Description of Point(s) of Delivery

1. Delivery Point - located on the Eastern side of Ascend Performance Materials property, near the intersection of Chemstrand Road and Old Chemstrand Road.
2. Delivery Point - located on County Road 95A, South of Old Chemstrand Road.
3. New Delivery point to Shipper's facilities located along US 29 and Champion Drive¹

MHTP:6%

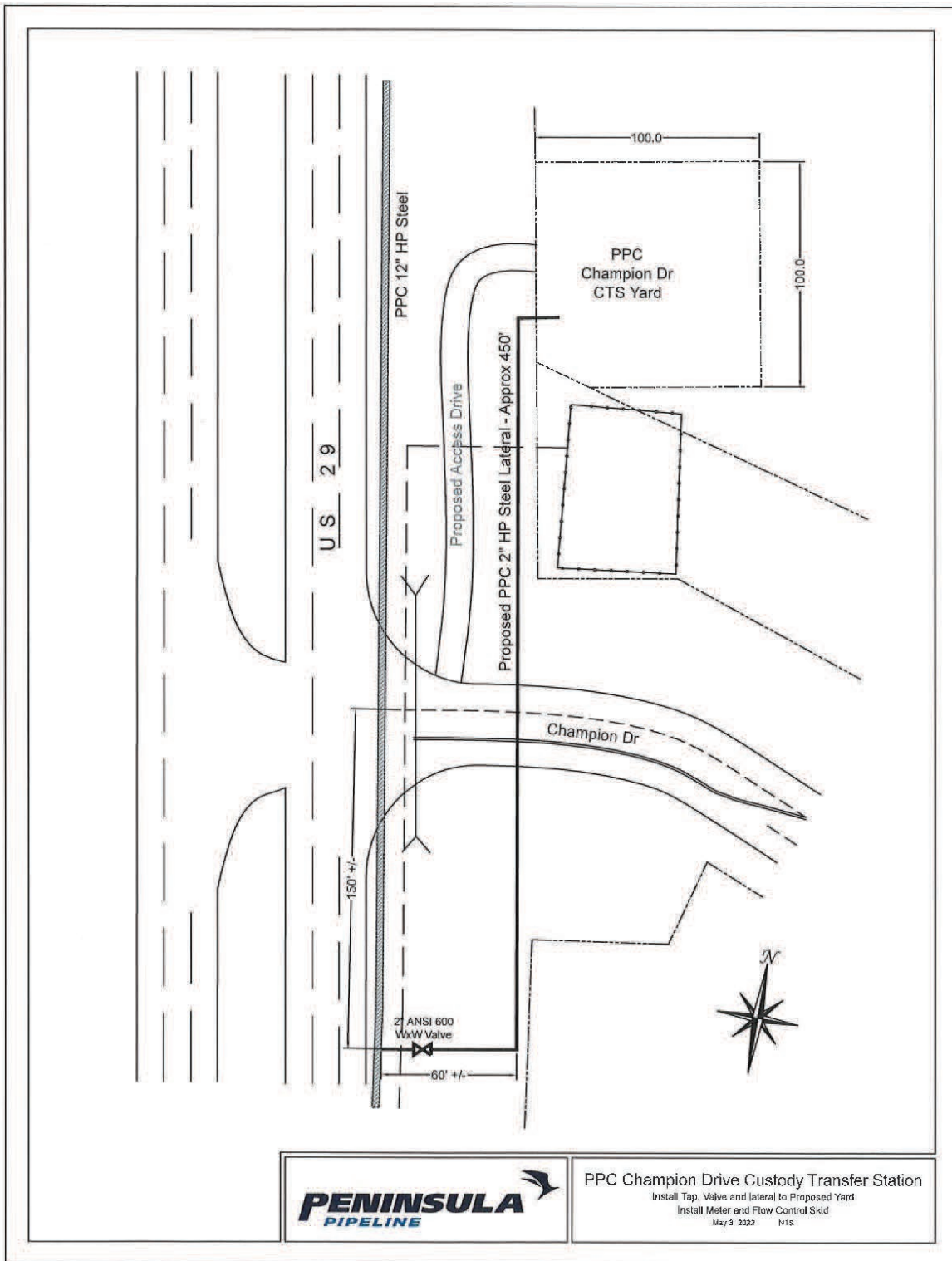
Total MDTQ (Dekatherms): [REDACTED] Dt/Day

Monthly Reservation Charge: [REDACTED] [REDACTED] Dekatherm).

This charge is subject to adjustment pursuant to the terms of this Agreement.

¹ The Parties to this Agreement acknowledge and recognize that the facilities to be installed represent an extension of existing facilities currently used by the Company to provide service to Shipper in Escambia County. The pricing hereunder does not otherwise duplicate charges for service from the existing interconnection "Delivery Point" (renamed "Point of Delivery" herein) with the existing Northwest Florida Pipeline owned and operated by Peninsula Pipeline Company, Inc. approved as part of the original Agreement in Docket No. 20180015-GU.

Project Map



PPC Champion Drive Custody Transfer Station
Install Tap, Valve and lateral to Proposed Yard
Install Meter and Flow Control Skid
May 3, 2022 NTS