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April 8, 2024

**E-PORTAL FILING**

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

**Re: Docket 20240031-GU – Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.**

Dear Mr. Teitzman:

Attached for filing in the referenced docket, please find Florida Public Utilities Company's Responses to Staff's Second Set of Data Requests.

Thank you for your assistance with this filing.

Kind regards,



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

Enclosure

**Docket 20240031 – Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.**

**PPC and FPUC’s Responses to Staff’s Second Data Requests**

- 1. Paragraph 12 of the petition states that Peninsula would acquire certain pipeline assets from FPUC for the construction of the Plant City expansion project.**
  - a. Please explain why FPUC has elected to sell the pipeline assets to Peninsula, rather than continue to own and operate them.**

Company Response

FPUC elected to sell the pipeline to Peninsula in order to facilitate the project requested by FPUC. By selling the assets to Peninsula, Peninsula can use the assets for the project without creating duplicative infrastructure at the current higher market costs. The assets will connect directly into the Peninsula’s planned project. Also, Peninsula’s ownership will ensure continuity in the system’s operating and ownership structure.

- b. Please explain if the approximate 1,700 feet of 4-inch pipeline are in rate base and are currently being paid for by FPUC’s general body of ratepayers. If yes, please explain, how FPUC’s general body ratepayers would be protected from paying for assets FPUC has sold to Peninsula.**

Company Response

The assets in the Plant City project were placed into service approximately in April 2023 and consisted of steel mains. The assets were not used in the projections in FPUC’s latest rate case. See schedule G-1 Consolidated, page 26 of 28 for the projected construction budget. Mains-Steel has no proposed projects or purchases. These assets are currently not in the calculation of base rates for FPUC.

- c. Please provide the book value for the approximate 1,700 feet of pipeline.**

Company Response

The approximate book value of the asset is approximately \$174K. The support of this calculation is provided in Attachment C, which is provided in native format via email only.

- d. Please explain if there are any additional assets to be transferred from FPUC to Peninsula not described in the petition. If so, please provide the associated book value.**

Company Response

The assets being transferred are related to the mains described in the petition. No additional assets are planned to be transferred from FPUC not described in the petition.

- e. **Please explain whether the transfer of pipeline assets described in the firm transportation agreement is included as Attachment A to the petition. Please provide any additional agreement which details the transfer of pipeline assets.**

Company Response

Attachment A to the initial petition is the contract for the requested service only. The purchase sale agreement for facilities is included here as Attachment A. The agreement has not been executed, pending a Commission decision in this docket.

- f. **Please explain if Peninsula would pay FPUC for the transfer of the pipeline assets. If yes, please explain what accounting treatment FPUC would use to reflect the monies received from Peninsula.**

Company Response

Yes, Peninsula will pay FPUC the book value of the assets. FPUC will reflect the sale by adjusting plant records. As FPUC will be receiving net book value for the asset, there will be no gain or loss on the transfer for accounting purposes. The transfer would be done through an intercompany receivable.

- g. **Please explain whether Peninsula will charge FPUC for the assets at issue. If yes, please explain how (i.e., through the monthly reservation charge contained in the proposed agreements or some other method) and provide documentation to show that Peninsula is charging FPUC the same as the net book value purchase price (and not at a higher value).**

Company Response

Peninsula is charging FPUC for the assets. For the assets in question, only the net book value of the assets was used in the calculation of the reservation charge. Attachment C provides the calculation of the net book value of the assets. The excerpt from the reservation charge model shows that "Mains-Sunk Costs" category is the net book value of the assets. The "Mains" category of the capital costs excerpt includes the net book value of the assets.

In the model used to calculate the reservation charge, an initial engineering estimate of \$147K was used by Peninsula. In calculating the net book value of the assets, FPUC determined the assets have a net book value of \$174K. Despite the difference in valuation, Peninsula elected to keep the reservation based on the \$147K valuation.

2. **Paragraph 17 of the petition states that Peninsula would acquire certain pipeline assets from FPUC for the construction of the Lake Mattie expansion project.**
  - a. **Please explain why FPUC has elected to sell the pipeline assets to Peninsula, rather than continue to own and operate them.**

Company Response

FPUC elected to sell the pipeline and facilities to Peninsula in order to facilitate the project requested by FPUC. By selling the assets to Peninsula, Peninsula can use the assets for the project without creating duplicative infrastructure at the current higher market costs. The assets will also connect directly into the Peninsula's planned project. Lastly, Peninsula's ownership will ensure continuity in the system's operating and ownership structure.

- b. Please explain if the city gate and approximately 1.2 miles of pipeline are in rate base and are currently being paid for by FPUC's general body of ratepayers. If yes, please explain, how FPUC's general body ratepayers would be protected from paying for assets FPUC has sold to Peninsula.**

Company Response

The City Gate and 1.2 miles of the pipeline were placed into service in 2010/2011. These assets would be in rate base. Rate payers will still benefit from the assets due to the savings by only using the net book value of the project in the capital costs used to calculate the reservation charge instead of using higher current market prices. As a new build, these new assets would require the purchase of land and a new gate station. The costs of land and the new gate would significantly increase the cost of the project. Additionally, FPUC will receive a payment from Peninsula for the net book value of the assets.

- c. Please provide the book value for the city gate and approximately 1.2 miles of pipeline.**

Company Response

The book value of the assets is approximately \$276K. Support for the calculation is provided in Attachment D (provided via email only). In the calculation of the net book value, the assets were depreciated by 15 years from their original placed in- service date.

- d. Please explain if there are any additional assets to be transferred from FPUC to Peninsula not described in the petition. If so, please provide the associated book value.**

Company Response

The assets being transferred are related to the city gate and the mains described in the petition. No additional assets are planned to be transferred from FPUC not described in the petition.

- e. Please explain whether the transfer of pipeline assets described in the firm transportation agreement is included as Attachment B to the petition. Please provide any additional agreement which details the transfer of pipeline assets.**

Company Response

No, it is not. Attachment B in the initial petition is for service. The agreement for the sale of

facilities is attached to these responses as Attachment B. The agreement has not yet been executed, pending a decision by the PSC in this proceeding.

- f. Please explain if Peninsula would pay FPUC for the transfer of the pipeline assets. If yes, please explain what accounting treatment FPUC would use to reflect the monies received from Peninsula.**

Company Response

Yes, Peninsula will pay FPUC the book value of the assets. FPUC will reflect the sales by adjusting plant records. As FPUC will be receiving net book value for the asset, there will be no gain or loss for accounting purposes. The transfer would be done through an intercompany receivable.

- g. Please explain whether Peninsula will charge FPUC for the assets at issue. If yes, please explain how (i.e., through the monthly reservation charge contained in the proposed agreements or some other method) and provide documentation to show that Peninsula is charging FPUC the same as the net book value purchase price (and not at a higher value).**

Company Response

Peninsula is charging FPUC for the assets. For the assets in question, only the net book value of the assets was used in the calculation of the reservation charge. Attachment D, which is provided by email only, provides the calculation of the net book value of the assets and an excerpt from the reservation charge model showing the net book value used in the project's capital costs.

**PIPELINE PURCHASE AND SALE AGREEMENT**

**FLORIDA PUBLIC UTILITIES COMPANY (“SELLER”)**

**AND**

**PENINSULA PIPELINE COMPANY, INC. (“PURCHASER”)**

**Dated: March 21, 2024**

## PIPELINE PURCHASE AND SALE AGREEMENT

**THIS PIPELINE PURCHASE AND SALE AGREEMENT** (this “**Agreement**”) is made this 21<sup>st</sup> day of March, 2024 (the “**Effective Date**”), between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “**Purchaser**”) and Florida Public Utilities Company, a corporation of the State of Florida (herein called “**Seller**”). Each Seller and Purchaser are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

### RECITALS

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, certain Steel Pipeline (as hereinafter defined) and related assets on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **ARTICLE I. DESCRIPTION OF PIPELINE**

1.1 Steel Pipeline. As used herein, the term “Steel Pipeline” shall mean that certain existing four-inch (4”) steel pipeline, approximately 2 miles in length, located in Polk County, Florida, which starts from a valve in front of 3201 North Wilder Road, extends north to Sam Allen Road then west on Sam Allen Road where the pipeline terminates, as described and depicted in Exhibit A, which shall include each of the following:

(a) all public rights of way and other rights, privileges or interests in real property that are used or held for use primarily in connection with the operation and maintenance of the Steel Pipeline (the “**Rights of Way**”);

(b) all permits, licenses, certifications, orders, approvals, authorizations, grants, consents, concessions, waivers, registrations, warrants, franchises and similar rights and privileges that are granted by a governmental authority or other person or entity and used or held for use primarily in connection with the operation and maintenance of the Steel Pipeline; and

(c) to the extent related to the Steel Pipeline and in the possession of Seller, all books, records, documents, files, muniments of title and title records (including abstracts of title, title opinions, and memoranda, other non-privileged legal opinions relating to the Steel Pipeline (collectively, “**Records**”).

**ARTICLE II.  
PURCHASE AND SALE OF PIPELINE**

2.1 Sale and Delivery of Steel Pipeline. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing provided for in Section 2.3, Seller shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, effective as of 11:59 p.m. Eastern Standard Time on the Closing Date (as defined in Section 2.3 hereof), all of Seller's right, title and interest in and to the Steel Pipeline.

2.2 Consideration. Upon the terms and subject to the conditions set forth in this Agreement, in consideration of the aforesaid sale, conveyance, assignment, transfer and delivery of all of Seller's right, title and interest in and to the Steel Pipeline, Purchaser shall pay to Seller the total amount as follows:

- (a) Purchase Price. The total book value purchase price of one hundred seventy-four thousand eight dollars and 97 cents (\$174,008.97) ("**Purchase Price**"), subject to such adjustments as hereinafter provided, and shall be transferred by Purchaser to the Seller.

2.3 Closing. The closing of the sale and purchase contemplated by this Agreement (the "**Closing**") shall take place by electronic exchange of executed documents or another mutually agreed upon method, on the Effective Date of this Agreement. The date and time on which the Closing occurs is referred to herein as the "**Closing Date**."

Purchaser: \_\_\_\_\_

William Hancock  
Assistant Vice President  
Peninsula Pipeline Company  
500 Energy Lane, Suite 200  
Dover, Delaware 19901

Seller: \_\_\_\_\_

Jeffrey S. Sylvester  
Vice President and Chief Operating Officer  
Florida Public Utilities Company  
208 Wildlight Avenue  
Yulee, FL 32097



**EXHIBIT A**

**DESCRIPTION AND GENERAL DEPICTION OF STEEL PIPELINE**

That certain four-inch (4") steel natural gas pipeline (together with all appurtenances thereto), approximately 2 miles in length, located on the east side of N Wilder Road, beginning at a tee and valve located across from 3201 N Wilder Road (Approximate coordinates 28.0245, -82.0548) heading north to E. Sam Allen Road, turning west to 3202 N. Park Road (Approximate coordinate of end point 28.0251, -82.0602).



Attachment B

**PURCHASE AND SALE AGREEMENT**

**FLORIDA PUBLIC UTILITIES COMPANY (“SELLER”)**

**AND**

**PENINSULA PIPELINE COMPANY, INC. (“PURCHASER”)**

**Dated: March 21, 2024**

## PURCHASE AND SALE AGREEMENT

**THIS PURCHASE AND SALE AGREEMENT** (this “**Agreement**”) is made this 21<sup>st</sup> day of March, 2024 (the “**Effective Date**”), between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “**Purchaser**”) and Florida Public Utilities Company, a corporation of the State of Florida (herein called (“**Seller**”). Each Seller and Purchaser are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties.**”

### RECITALS

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, a certain existing gate station and steel pipeline (as hereinafter defined) and related assets on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **ARTICLE I.**

#### **DESCRIPTION OF GATE STATION AND STEEL PIPELINE**

1.1 Lake Mattie Gate Station and Steel Pipeline. As used herein, the term “Lake Mattie Gate Station and Steel Pipeline” shall mean a certain gate station located on the west side of Cone Road and approximately 0.5 miles north of the intersection of Cone Road and State Road 559 and a certain four-inch (4”) steel natural gas pipeline, approximately 1.2 miles in length, extending from the outlet flange of the metering device and continuing to the intersection of State Road 559 and Lake Mattie Road, as described and depicted in Exhibit A, which shall include each of the following:

(a) all public rights of way and other rights, privileges or interests in real property that are used or held for use primarily in connection with the operation and maintenance of the Lake Mattie Gate Station and Steel Pipeline (the “**Rights of Way**”);

(b) all permits, licenses, certifications, orders, approvals, authorizations, grants, consents, concessions, waivers, registrations, warrants, franchises and similar rights and privileges that are granted by a governmental authority or other person or entity and used or held for use primarily in connection with the operation and maintenance of the Lake Mattie Gate Station and Steel Pipeline; and

(c) to the extent related to the Lake Mattie Gate Station and Steel Pipeline and in the possession of Seller, all books, records, documents, files, muniments of title and title records (including abstracts of title, title opinions, and memoranda, other non-privileged

legal opinions relating to the Lake Mattie Gate Station and Steel Pipeline and including all of the paper and electronic data files comprising the accounting and land records, and title curative documents related to the Facilities (collectively, "Records").

**ARTICLE II.  
PURCHASE AND SALE OF GATE STATION AND STEEL PIPELINE**

2.1 Sale and Delivery of Lake Mattie Gate Station and Steel Pipeline. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing provided for in Section 2.3, Seller shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, effective as of 11:59 p.m. Eastern Standard Time on the Closing Date (as defined in Section 2.3 hereof), all of Seller's right, title and interest in and to the Lake Mattie Gate Station and Steel Pipeline.

2.2 Consideration. Upon the terms and subject to the conditions set forth in this Agreement, in consideration of the aforesaid sale, conveyance, assignment, transfer and delivery of all of Seller's right, title and interest in and to the Lake Mattie Gate Station and Steel Pipeline, Purchaser shall pay to Seller the total amount as follows:

(a) **Purchase Price.** The total book value purchase price of two hundred seventy six thousand one hundred twenty-six dollars and 15 cents (\$276,126.15) ("**Purchase Price**"), subject to such adjustments as hereinafter provided, and shall be transferred by Purchaser to the Seller.

2.3 Closing. The closing of the sale and purchase contemplated by this Agreement (the "**Closing**") shall take place by electronic exchange of executed documents or another mutually agreed upon method, on the Effective Date of this Agreement. The date and time on which the Closing occurs is referred to herein as the "**Closing Date.**"

Purchaser: \_\_\_\_\_

Peninsula Pipeline Company, Inc.  
500 Energy Lane,  
Suite 200  
Dover, DE 19901 Attn: Contracts

Seller: \_\_\_\_\_

Florida Public Utilities Company  
208 Wildlight Avenue  
Yulee, FL 32097

## EXHIBIT A

### DESCRIPTION AND GENERAL DEPICTION OF STEEL PIPELINE

That certain four-inch (4") steel natural gas pipeline, approximately 1.2 miles in length, extending from the outlet flange of the metering device at the existing gate station known as Lake Mattie, located on the west side of Cone Road and approximately 0.5 miles north of the intersection of Cone Road and State Road 559, approximate coordinates 28.0801, -81.4722), proceeding south on Cone Road to State Road 559, then continuing south on State Road 559 to the intersection of State Road 559 and Lake Mattie Road (approximate coordinates of end point 28.0702, -81.4721).

