


MACFARLANE FERGUSON & McMULLEN
ATTORNEYS & COUNSELORS AT LAW EST. 1884

One Tampa City Center, Suite 2000
201 N. Franklin Street
P.O. Box 1531 (33601)
Tampa, FL 33602
813.273.4200 Fax: 813.273.4396

WWW.MFMLEGAL.COM
EMAIL: INFO@MFMLEGAL.COM

625 Court Street, Suite 200
P.O. Box 1669 (33757)
Clearwater, FL 33756
727.441.8966 Fax: 727.442.8470

In Reply Refer to:
Tampa
ab@macfar.com

August 7, 2020

VIA E-PORTAL FILING

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


Re: In re: Petition for approval of tariff modifications for liquified natural gas service by
Peoples Gas System
Docket No. 20200093

Dear Mr. Teitzman:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please
find its Response to Staff's Second Data Request (Nos. 1-3).

Your assistance in this matter is greatly appreciated.

Sincerely,


Andrew M. Brown

AB/plb
Attachment

cc: J.R. Kelly/Stephanie Morse (kelly.jr@leg.state.fl.us; morse.stephanie@leg.state.fl.us)
Kurt Schrader (kschrade@psc.state.fl.us)
Paula K. Brown
Kandi Floyd
Karen Bramley
Thomas F. Farrior, Esq.

**PEOPLES GAS SYSTEM
DOCKET NO. 2020093-GU
STAFF'S SECOND DATA REQUEST
REQUEST NO. 1
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1. The Company previously asserted that it will participate in a competitive request for proposal (RFP) process as well as conduct a thorough vetting of potential customers prior to entering into a contract agreement under the proposed tariff. Further, the Company has asserted that all costs associated with building and operating an LNG facility under its proposed LNG tariff would be borne by the end-use customers and would have no impact on the general body of ratepayers. Given these assertions, please explain the following:
 - a. How does Peoples anticipate recovering costs incurred for bids and contract negotiations that do not result in either a new customer or new project with an existing customer? These costs may include, but not be limited to, such items as: customer and market research; financial qualification of potential customers and projects; engineering and design; market and transaction-level pricing; and administrative, sales, and legal costs.
 - b. How does Peoples anticipate recovering the upfront costs of establishing the ability to enter into the liquid natural gas (LNG) market? These costs may include, but not be limited to, such items as: acquiring technical ability, conducting market research, and establishing a sales and administrative infrastructure.
- A.
 - a. Peoples currently has a business development team that provides Pipeline, Compressed Natural Gas, Renewable Natural Gas and Liquefied Natural Gas (LNG) services as a part of its normal daily course of business. The proposed LNG tariff as requested in this docket is an expansion of existing services that the Company currently provides and the Company is able to leverage its existing skills without having to build a new team to respond to customer inquiries, market research and other necessary business activities that are required during project evaluation. Outside of O&M expenses that would be recovered as part of usual business operating expenses, Peoples does not anticipate seeking recovery for any upfront costs incurred for bids and contract negotiations that do not result in a construction of a facility.
 - b. Peoples will not incur significant upfront costs as the Company has a level of LNG expertise in its workforce that has experience in the development and construction of LNG projects within and outside the state of Florida. Peoples does plan to hire technical and administrative support for this industrial market segment in order to respond to customer requests for the LNG services described in the proposed tariff. These costs would be subject to review by the Commission as part of a future rate base proceeding.

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2. Please explain why the Company chose to propose this service under the regulated utility rather than through an non-regulated affiliate.

A. Peoples chose to propose this service under a regulated utility because it a natural extension of its natural gas business and is consistent with the Company's current tariffs for CNG and RNG service. In the CNG tariff, Peoples has responded to customer demand that it build and operate CNG facilities for customers requesting those facilities. That business model is the most efficient option for consumers in that they are dealing with one company (Peoples) for the entire operation and creates operating efficiencies in terms of customer points of contact, O&M expense and economies of scale. The same is true for Peoples proposed LNG tariff. Peoples would already be providing the infrastructure to deliver gas to customers, and the customer would have transportation options for the gas and the access to Peoples diverse gas supply portfolio and access to interstate pipelines. This tariff seeks permission to take the next logical step in Peoples regulated gas business which is to allow the Company to be involved in constructing facilities to create and store LNG for its customers. This is virtually identical to Peoples' CNG tariff that the Commission previously approved in Docket No. 20130197-GU.

In addition, The proposed LNG tariff benefits the general body of rate payers by expanding gas usage that allows Peoples to spread its investment in its existing distribution system to serve these new customers thereby benefiting all rate payers. Again, this is identical to the CNG model which the Commission has previously approved.

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3. In response to the Office of Public Counsel's first set of interrogatories, question 7, the company states that "LNG facilities constructed for a customer(s) pursuant to the proposed Tariff will increase Peoples rate base." Please elaborate on this response and explain whether Peoples intends to include any LNG facilities constructed in rate base on the surveillance reports filed with the Commission. If yes, please describe how the cost, and any associated revenues from the contract, will be documented in the surveillance reports. In addition, please explain how Peoples will treat any LNG facilities constructed, and their associated costs and revenues, in Peoples' next base rate proceeding.
- A. Similar to the treatment of CNG facilities constructed by Peoples for a particular customer, LNG facilities constructed for a particular customer under this tariff would be accounted for in rate base with the revenue received from these customers offsetting the revenue requirement for the facility.

The proposed LNG assets will be included in the surveillance report Rate Base per books and the related revenues and expenses will be included in Net Operating Income per books. The original spend on LNG assets will be included in Construction Work in Progress and will then be reclassified to Plant in Service when the LNG assets go in service. Depreciation on the LNG assets will be included in determining Net Operating Income and accumulated depreciation will be reflected in Rate Base.

The revenues related to recovery of the LNG investment, return requirements and expenses will flow to operating revenues. Applicable operating and maintenance expenses will be included in O&M Other and associated property taxes will be included in Taxes Other Than Income in the Net Operating Income section of the surveillance report. Income taxes associated with the net revenues and expenses and will also be reflected in the Net Operating Income section of the surveillance report.

In Peoples next base rate proceeding the LNG assets would be included in Adjusted Rate Base in determining the Net Operating Income requirements and the related LNG revenue and expenses would be included in determining the Adjusted Net Operating Income.