BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Joint petition by Peoples Gas System and Florida Public Utilities Company for approval of special contract. | DOCKET NO. 20220159-GU  ORDER NO. PSC-2022-0374-PAA-GU  ISSUED: November 4, 2022 |

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman

ART GRAHAM

GARY F. CLARK

MIKE LA ROSA

GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING A SPECIAL CONTRACT BETWEEN PEOPLES

GAS SYSTEM AND FLORIDA PUBLIC UTILITIES COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

**Background**

On September 13, 2022, Peoples Gas System (Peoples) and Florida Public Utilities Company (FPUC) (jointly, Petitioners) filed a joint petition for approval of a special contract (contract). Under the terms of the contract, Peoples would provide FPUC with firm gas transportation service for a nineteen-month term commencing on November 1, 2022. Peoples and FPUC own and operate natural gas facilities in Florida and are subject to our regulatory jurisdiction pursuant to Section 366.06, Florida Statutes (F.S.).

During the evaluation of the petition, Commission staff issued data requests to Peoples and FPUC. Responses from FPUC were received on September 28, 2022, and responses from Peoples were received on October 6, 2022. We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

**Decision**

On September 20, 2021, Peoples and FPUC entered into a gas transportation agreement (2021 agreement) that was subject to termination on October 1, 2022. The Petitioners agreed to extend the 2021 agreement until October 31, 2022. The Petitioners explained that the 2021 agreement did not require our approval since the terms and conditions of the 2021 agreement did not deviate from Peoples’ Commission-approved tariff. Under the 2021 agreement, FPUC received service under Peoples’ interruptible (IS) Rate Schedule. Pursuant to the 2021 agreement, Peoples transported natural gas from the Florida Gas Transmission’s (FGT) interstate pipeline at the PGS-Jacksonville main gate to the Radio Avenue Interconnect into the Callahan Pipeline. The Callahan Pipeline is a 16-inch steel pipeline that was constructed in 2019 to allow FPUC and Peoples to expand natural gas service in Nassau and Duval counties.

In response to Commission staff’s first data request, FPUC stated that the Transco Zone 5 index represents the prevailing price index for the natural gas FPUC procures for its operations in Nassau County. FPUC explained that the Transco Zone 5 market has been disproportionately impacted by price increases due to natural gas shortages in Europe that have increased domestic exports of natural gas. As a result of the price increases, FPUC stated that they have been seeking natural gas supply from alternate receipt locations, such as FGT, that do not rely on Transco Zone 5.

In June 2022, FPUC contacted Peoples seeking to convert the 2021 agreement into a new contract for firm service as firm service is typically preferable to interruptible service. The Petitioners explained that discussions concerning a new agreement have resulted in the proposed contract. The proposed contract would allow Peoples to provide FPUC with firm service for a limited duration and obtain a fixed monthly reservation fee for the service provided. The term of the contract extends as far into the future as Peoples has the capability on its infrastructure to offer the service in consideration of expected future growth on Peoples’ system. FPUC stated that after the contract expires, FPUC plans to revert to using firm Southern Natural Gas (Sonat) capacity for its supply requirements. Sonat is an interstate [natural gas](https://en.wikipedia.org/wiki/Natural_gas) pipeline system which brings gas from the [Louisiana](https://en.wikipedia.org/wiki/Louisiana) [Gulf of Mexico](https://en.wikipedia.org/wiki/Gulf_of_Mexico) coast to the southeastern [United States](https://en.wikipedia.org/wiki/United_States), including Florida.

Pursuant to the proposed contract, the receipt points, delivery points, and points of delivery would remain the same as in the 2021 agreement. The contract is for a nineteen-month term commencing on November 1, 2022, and terminating on June 1, 2024. The terms of the contract include a negotiated monthly charge for the reservation of firm capacity and transportation service on Peoples’ distribution system and a daily maximum transportation quantity. A true and correct copy of the proposed contract is appended to this Order as Attachment A.

FPUC explained that the alternative supply received under the contract would benefit the general body of ratepayers by more than $10 million over the nineteen-month term. Peoples explained that the contract would generate revenues for Peoples, benefiting Peoples’ general body of ratepayers. The Petitioners explained that FPUC will be able to pay a lower cost per dekatherm under the special contract in comparison to the 2021 agreement because of a fixed fee structure. FPUC will recover its payments to Peoples through the Purchased Gas Adjustment (PGA) and from third-party transportation customers that utilize the alternative supply into Nassau County.

**Conclusion**

Based on our review of the petition and responses to Commission staff’s data requests, we find that the proposed special contract is reasonable because it facilitates the delivery of natural gas into Nassau County and provides benefits to FPUC’s and Peoples’ general body of ratepayers. We therefore approve the proposed special contract between Peoples and FPUC as shown in Attachment A. The special contract shall be effective as of the date of our vote, November 1, 2022.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Special Contract between Peoples Gas System and Florida Public Utilities Company is hereby approved. It is further

ORDERED that the Special Contract shall be effective from the date of the Commission’s vote, November 1, 2022. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the “Notice of Further Proceedings” attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 4th day of November, 2022.

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|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMAN  Commission Clerk |

Florida Public Service Commission

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 28, 2022.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

















