



April 14, 2023

VIA ELECTRONIC FILING

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

Re: Docket No. 20230023-GU; Petition for Rate Increase by Peoples Gas System, Inc.

Docket No. 20220212-GU; Peoples Gas System, Inc.'s Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others

Dear Mr. Teitzman:

Attached for filing in the above-styled matter is Peoples Gas System, Inc.'s answers to Staff's Third Data Request (Nos. 1-7), served by electronic mail on March 24, 2023, in Docket No. 20220212-GU. Peoples is filing these responses in Docket No. 20230023 in compliance with Order PSC-2023-0128-PCO-GU.

Portions of this response have been redacted as they contain certain confidential proprietary business information. The accompanying Request for Confidential Classification is being filed under separate cover.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'Malcolm N. Means'.

Malcolm N. Means

MNM/bml
Attachment

cc: All parties of record.

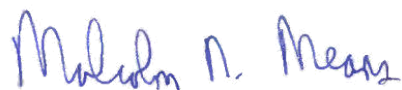
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing answers to Staff's Third Data Request (Nos. 1-7), filed on behalf of Peoples Gas System, Inc., have been furnished by electronic mail on this 14th day of April 2023 to the following:

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ATTORNEY

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20220212-GU
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STAFF'S THIRD DATA REQUEST
REQUEST NO. 1
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1. Referring to PGS's instant Petition filed in the above docket, Paragraphs 20 and 21, as well as the Company's response to Staff's First Data Request, No. 6(c), please clarify who will be responsible for the recovery of the remaining (undepreciated) portion of the RNG plant, the shareholders or the general body of ratepayers of PGS, if, for any reason, the "series of agreements with Brightmark Sobek RNG LLC" that PGS entered into, are contested or dissolved before the agreed-upon term of 15-years.

- A. The consequences of a project "dissolution" would vary depending on when that dissolution occurs.

The first project agreement is the Purchase and Sale Agreement. Under this agreement, Brightmark will construct four anaerobic digesters, two biogas upgrade facilities, interconnecting pipeline structures, and other related structures. Peoples will then purchase these structures from Brightmark. Peoples and Brightmark have not closed on the Purchase and Sale Agreement at this time.

If the project terminates prior to closing on the Purchase and Sale Agreement, Peoples will not incur the purchase price under that Agreement and would be reimbursed for [REDACTED]. In this scenario, Peoples would propose adjustments to the 2024 projected year rate base and net operating income, if necessary.

If the parties close on the Purchase and Sale Agreement and the project is terminated at some point in the future, Peoples would utilize all available rights and remedies under the lease agreement, RNGSA, and parent company guaranty agreements to protect the ratepayers, [REDACTED]. [REDACTED] Dissolution of the project would not necessarily trigger the need for rate relief unless the company's earnings fell below the authorized range. If the company did file a general base rate case following dissolution of the project, the Commission could then make any necessary adjustments to the company's cost recovery for the project.

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2. Under what conditions, if any, would PGS be in position to repurpose or sell the RNG equipment during the term of the purchase agreement?

A. None, as ownership of the RNG equipment does not transfer until closing of the purchase agreement. After Brightmark completes the RNG Facilities, the closing will occur. At closing, Brightmark will sell the RNG Facilities to Peoples and Peoples will lease the RNG Facilities back to Brightmark pursuant to the Lease Agreement. After closing, in the event Brightmark defaults, Peoples could utilize available remedies in section 14 of the Lease Agreement,

[REDACTED]

In addition, Peoples also preserved its rights to pursue damages for breach of contract.

3. What are the conditions under which the full Brightmark's Monthly Services Charge payments could be discontinued or curtailed?
 - A. Force majeure events would excuse performance for the impacted party for up to 180 days under each of the Lease Agreement (Section 18(b)) and the RNGSA (Section 10.9). Unexcused failure to make the payments required under the Lease Agreement would constitute a default giving rise to certain rights [REDACTED]
[REDACTED] Unexcused failure to make the payments required under the RNGSA would result in late payment charges and Peoples' right to suspend service under the RNGSA. In addition, Brightmark's obligations are backstopped by parental guarantees.

4. In the event that Brightmark's Monthly Service Charge payments are discontinued or curtailed, what measures would PGS take to protect its general body of ratepayers from financial harm?
 - A. In the event of a default, Peoples would analyze its available remedies as set forth in our responses to request No. 2 and 3 above and evaluate which of those available remedies would best protect its general body of ratepayers from financial harm. These remedies include but are not limited to [REDACTED]
[REDACTED] Additionally, see Peoples' response to Staff's 2nd DR, No. 2(b).

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5. Regarding the proposed accelerated depreciation of RNG assets and lease/buyback arrangements detailed in the instant petition and reflected in the purchase agreement, what benefits, if any, are expected to accrue to: A. PGS, B. PGS customers, and C. Brightmark, that would not otherwise be available under standard depreciation schedules?
 - A. With the proposed accelerated depreciation and lease/buyback arrangements in the instant petition, Peoples anticipates the following benefits:
 - a. Peoples: The company benefits from a shorter term through a faster recovery of its investment. Additionally, the shorter term reduces the period that the company is subject to potential operating, credit, and marketing risks (see Peoples' response to Staff's 2nd DR, No. 2(b)).
 - b. Peoples' Customers: Customers benefit from a shorter term through the reduced risk to the company as described in the response to Request No. 5(a) above.
 - c. Brightmark: Brightmark will not directly benefit from the proposed accelerated depreciation; however, it is assumed by Peoples that the 15-year term is conducive to meeting their business and financial requirements.

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- 6.** Why is it appropriate that Brightmark retain ownership of the environmental attributes of the natural gas produced at the RNG facility (Renewable Energy Credits), as contemplated in the petition, given that the RNG plant is owned by PGS and included in its rate base during the first fifteen years and the pipeline extension is owned by PGS and included in rate base for the life of the asset?
 - A.** Brightmark will own the gas produced while Peoples has constructed a pipeline to provide transportation services for the gas. Brightmark is utilizing the production of RNG and its various revenue streams (i.e., brown gas, Low Carbon Fuel Standard (California) & Renewable Identification Number (Federal) revenues) to pay Peoples a guaranteed rate of return over the life of the contract. Brightmark and its parent company are responsible for the certification and monetization of the attributes once the RNG is produced and injected into the pipelines.

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7. Please explain whether the structure of the proposed purchase agreement, with accelerated depreciation and lease/buyback, is modelled after other approved regulatory arrangements entered into by other gas utilities. Also, please provide details of such regulatory approvals (docket numbers, order numbers, jurisdiction, date, etc.).
 - A. Peoples is not aware of an approved regulatory arrangement that would serve as a model for the proposed purchase agreement with accelerated depreciation and lease/buyback.