GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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BY E-PORTAL

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

Re: **DOCKET NO. 20220159-GU: Joint petition by Peoples Gas System and Florida Public Utilities Company for approval of special contract.**

Dear Mr. Teitzman:

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

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions.

Sincerely,

Beth Keating
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(850) 521-1706

Cc: Draper (ECR)
Stiller (GCL)

FPUC's Responses to Staff's First Data Requests

1. Please explain why FPUC now needs uninterruptible gas service from Peoples Gas System (PGS) as set forth in the proposed 2022 Gas Transportation Agreement (Special Contract), as opposed to the interruptible gas service FPUC received under the September 2021 Gas Transportation Agreement.

Company Response: The natural gas shortages in Europe have increased domestic exports of natural gas. This increase in demand has led to higher benchmark natural gas prices. A region for which price has been disproportionately impacted is the Transco Zone 5 market. Transco Zone 5 is physically located from the southern border of South Carolina through Virginia. The Transco Zone 5 index represents the prevailing price index for the gas that FPUC typically procures for its Nassau County operations. By arranging supply from alternate receipt locations, FPUC was able to save money versus the Transco Zone 5 related alternative.

Firm service is always preferable to interruptible service, but it is also typically more expensive. This year, through FPUC's coordination with Peoples Gas, FPUC will be paying a lower cost per dekatherm for fixed service than it paid for interruptible service last year. In order to achieve this lower rate per dekatherm, FPUC agreed to a contract with a fixed fee structure.

2. Please explain why the term of the Special Contract is 19 months.

Company Response: The agreement extends as far into the future as PGS had the capability to offer the service. Beyond this point, PGS may not be able to support flows from the south through their Radio Avenue gate.

3. Please explain FPUC's plans to maintain its natural gas supply when the term of the Special Contract expires, including whether FPUC will negotiate a new contract with PGS or will seek alternative transportation options.

Company Response: FPUC will revert to using firm SONAT capacity for its supply requirements.

4. Please explain how FPUC plans to recover payments made to PGS pursuant to the Special Contract.

Company Response: The Company will recover $10855 per month through the Purchased Gas Adjustment (PGA), the remaining portion will be directly assigned to specific third-party transportation customers utilizing the alternative for supply into Nassau County.

5. Please discuss the benefits to FPUC's general body of ratepayers flowing directly from the Special Contract.

Company Response: The contract would provide significant benefits to FPUC's customers. FPUC estimates the net benefit of alternative supply to be more than $10 million (based on current market projections) to FPU customers and transportation customers over the 19-month term.

6. Please discuss all relevant facts considered by PGS and FPUC when negotiating the amount of the monthly charge to FPUC for reservation of firm capacity and transportation service on the PGS distribution system as set forth in Section 5.1 of the Special Contract, and then explain how FPUC and PGS used those facts to calculate the monthly charge.

Company Response: As stated above, the market's changes have caused FPUC to look for supply options that do not rely on Transco Zone 5. FPUC wanted reliable access to gas supply that was less expensive and less volatile. FPUC also wanted a solution that yielded a lower rate per dekatherm than the current PGS interruptible rate. FPUC used the forward curve of market prices and interstate pipeline transportation values to create an economic model to guide our decision-making. FPUC evaluated the proposed rate and determined there were significant savings associated with this service. FPUC is unaware of PGS's analytics regarding the construction of the rate FPUC was offered.