GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

July 23, 2021

VIA E-PORTAL

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

Re: **Docket No. 20210088-GU – Joint petition to modify tariffs to accommodate receipt and transport of renewable natural gas, by Florida Public Utilities Company, Florida Public Utilities - Indiantown Division, Florida Public Utilities - Fort Meade, and Florida Division of Chesapeake Utilities Corporation.**

Dear Mr. Teitzman:

Attached for electronic filing, please find the Joint Responses of Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, Florida Public Utilities Company – Fort Meade, and the Florida Division of Chesapeake Utilities Corporation to staff's second data requests issued 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 or concerns.

Sincerely,

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

cc: Tripp Coston (PSC)
Holly Forrest (PSC)
Stefanie-Jo Osborn (OPC)

Docket No. 20210088-GU: Joint petition to modify tariffs to accommodate receipt and transport of renewable natural gas, by Florida Public Utilities Company, Florida Public Utilities - Indiantown Division, Florida Public Utilities - Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

FLORIDA PUBLIC UTILITIES COMPANY/FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION RESPONSES TO STAFF'S SECOND SET OF DATA REQUESTS TO THE COMPANIES

Question:

1. Please describe all safeguards the Companies have in place, or plan to initiate, to ensure that the general body of ratepayers will not subsidize the biogas producing customers taking service under the proposed tariff.

Companies Response:

Under the rate schedule "RNGS" the service charge (or other agreed upon rate mechanism) must be designed to collect the required return on investment for the Company's plant investment, depreciation and amortization expenses, operation and maintenance expenses, taxes, and all other expenses incurred by the Company to provide the agreed upon RNG services. All RNG projects under this rate schedule will be run through the Companies' financial modeling to determine the rate at which costs associated with the biogas producing project are recovered directly from the biogas producing customer. This rate ensures that the general body of ratepayers will not subsidize the biogas producing customers.

Additionally, any change to the rates for the general body of ratepayers would be reviewed and authorized by the Commission in a future rate case proceeding. During these proceedings, the Commission would be able to review the Companies costs/expenses associated with projects under the RNGS rate schedule and ensure that subsidization by the general body of ratepayers does not occur. This process would further protect against a shifting of costs during the calculation of revenue requirements and rate design for the Companies customer classes.

Under the terms of the Service Agreement, the Companies will include several additional safeguards to further protect the Companies and their customers. In the event of a default, the Companies would discontinue service, terminate the contract, and enact all remedies provided for in the service agreement. Safeguard contract provisions would include, but are not limited to, applying any deposit paid to the customer's account, seeking payment from a guarantor to cover the outstanding balance, and pursuing all possible legal or equitable claims against the customer. The Companies will also ensure the creditworthiness of each customer who enters into a service agreement under the RNGS rate schedule by requiring each customer to furnish a satisfactory guarantor to secure payment of bills for the service requested, such a guarantor need not be a Customer of the Company; or furnish an irrevocable letter of credit from a bank equal to two (2) Months average bills; or furnish a surety bond equal to two (2) Month's average bills; or pay a cash deposit.

Additionally, the Company's financial department will review the financial strength of the customer to determine its credit worthiness in order to establish any further guarantees necessary to protect the Company's capital expenditures, to be detailed in the individual Service Agreements.

Question:

2. In Docket No. 20200216-GU, Florida City Gas included the following language in its Renewable Natural Gas tariff Sheet No. 74.1:

   "Service under this Rate Schedule is contingent upon the Company and the Customer entering a mutually satisfactory RNG Service Agreement; provided, however, that in no event shall the service provided to the Customer under this Rate Schedule cause any cost to the Company's other rate classes."

   Would the Companies be willing to include such language in its proposed tariff Sheet No. 7.506? Please Explain.

Companies Response:

Yes, the Companies would be willing to include similar language in the proposed tariff Sheet No. 7.506. If included the Companies would propose the following language:

"Service under this Rate Schedule is contingent upon the Company and the Customer entering a mutually satisfactory RNG Service Agreement; provided, however, that the service provided to the Customer under this Rate Schedule shall not cause any additional cost to the Company's other rate classes, unless otherwise approved by the Commission in a future proceeding."

Question:

3. If a biogas producer produces more RNG than it uses and chooses to inject the excess RNG into the Companies' distribution system, how will the Companies and producer handle this excess. Please explain the process that would be taken by the Companies in this instance.

Companies Response:

Each service agreement with an RNG producing customer taking service under the RNGS tariff schedule would indicate the terms under which RNG could be injected into the Companies' distribution system. The Companies engineering and operations departments would determine the distribution system's ability to receive RNG both in quantity and location, and all RNG would need to meet the Companies gas quality specifications. Any excess RNG above the limits as determined in the service agreement, or RNG that does not meet quality specifications, may be refused by the Companies for injection into their distribution system.

Ownership and title of the RNG commodity will remain with the Customer and the Customer will remain solely responsible for determining the end-user of its RNG, unless the Company and the Customer enter into an RNG commodity purchase agreement. The Customer would have the option of contracting and selling its RNG directly to individual third-party customers including gas utilities, CNG fueling stations, corporations with ESG goals, brokers, or other interested parties connected to the gas distribution system or interstate pipeline system. Additionally, depending on deliverability, capacity needs, and price, the RNG producer could contract with the Companies for purchase of commodity and or capacity as part of their supply portfolio.