



FILED 4/14/2023  
DOCUMENT NO. 02683-2023  
FPSC - COMMISSION CLERK

Attorneys and Counselors at Law  
123 South Calhoun Street  
P.O. Box 391 32302  
Tallahassee, FL 32301

P: (850) 224-9115  
F: (850) 222-7560

[ausley.com](http://ausley.com)

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 Second Data Request (Nos. 1-6), served by electronic mail on March 20, 2023, in Docket No. 20220212-GU. Peoples is filing these responses in Docket No. 20230023 in compliance with Order PSC-2023-0128-PCO-GU.

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 Second Data Request (Nos. 1-6), filed on behalf of Peoples Gas System, Inc., have been furnished by electronic mail on this 14<sup>th</sup> day of April 2023 to the following:

Major Thompson  
Ryan Sandy  
Jennifer Crawford  
Daniel Dose  
Chasity Vaughan  
Danyel Sims  
Office of General Counsel  
Florida Public Service Commission  
Room 390L – Gerald L. Gunter Building  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
[rsandy@psc.state.fl.us](mailto:rsandy@psc.state.fl.us)  
[mthompso@psc.state.fl.us](mailto:mthompso@psc.state.fl.us)  
[jcrawfor@psc.state.fl.us](mailto:jcrawfor@psc.state.fl.us)  
[ddose@psc.state.fl.us](mailto:ddose@psc.state.fl.us)  
[dsims@psc.state.fl.us](mailto:dsims@psc.state.fl.us)  
[cvaughan@psc.state.fl.us](mailto:cvaughan@psc.state.fl.us)

Jon C. Moyle, Jr.  
Karen A. Putnal  
Moyle Law Firm, P.A.  
118 North Gadsden Street  
Tallahassee, Florida 32301  
[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)  
[kputnal@moylelaw.com](mailto:kputnal@moylelaw.com)

Charles Rehwinkel  
Patricia A. Christensen  
Mary A. Wessling  
Office of Public Counsel  
111 West Madison Street – Room 812  
Tallahassee, FL 32399-1400  
[rehwinkel.charles@leg.state.fl.us](mailto:rehwinkel.charles@leg.state.fl.us)  
[christensen.patty@leg.state.fl.us](mailto:christensen.patty@leg.state.fl.us)  
[wessling.mary@leg.state.fl.us](mailto:wessling.mary@leg.state.fl.us)

*Melvin N. Meas*

---

ATTORNEY

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 1  
BATES PAGE(S):1-2  
FILED: APRIL 14, 2023**

1. Please refer to PGS's response to Staff's First Data Request (1<sup>st</sup> DR), No. 4, for questions below:

a. PGS's response to 1<sup>st</sup> DR, No. 4(a), reads "The Alliance RNG project pro forma plant additions to Account 336.00 include the pipeline facilities from the outlet of the RNG plant to the various transmission pipeline interconnects. These plant additions include plastic and steel mains, [...]." Please specify in which of the following accounts the plant assets of the stated "plastic and steel mains" are booked, and explain PGS's reasons for selecting the account that it did:

Account 376.00 – Main Steel,  
Account 376.02 – Mains Plastic, or  
Account 336.00 – RNG

b. PGS's response to 1<sup>st</sup> DR, No. 4(b), reads "Account 336.01 include all RNG equipment and RNG facilities from [...] to the outlet of the RNG Plant (e.g., covered lagoon digester, plastic main, [...] and other RNG equipment)." Please explain why PGS determined that the "plastic main" should be booked to Account 336.01, instead of Account 376.02 – Mains Plastic.

c. Please provide a simplified drawing (using a box to represent RNG equipment and a line to represent a pipeline) to illustrate your response to Question No. 4(c). Within this drawing, please include each and all of the major RNG equipment, as well as the steel and plastic pipelines (including the "pipeline extension" discussed in PGS's responses to 1<sup>st</sup> DR Nos. 5(a) and 8(b)), with every box and line clearly marked with the plant asset description and the depreciation account used for booking the plant asset.

A. a. In the company's 2023 and 2024 roll forward of plant included in the rate case minimum filing requirements ("MFRs") and updated depreciation study ("Updated Study") filed on April 4, 2023, the mains and interconnect facility related to the Alliance RNG project were forecasted to be recorded in account 376.00, Mains Steel. After further consideration, the company believes the mains connecting to the transmission pipeline interconnects should be included in account 376.02, Mains Plastic. As shown in the simplified drawing provided in response to Staff's Second Data Request (2<sup>nd</sup> DR), No. 1(c), all the

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 1  
BATES PAGE(S):1-2  
FILED: APRIL 14, 2023**

pipelines in the Alliance RNG project are plastic mains. In addition, after further consideration, the interconnect facility that was included in account 376.00, Mains Steel, should be included in account 378.00, Measuring & Reg Station Equipment General.

- b. The plastic main referred to in the company's response to 1<sup>st</sup> DR, No. 4(b) is the raw biogas pipeline connecting the digester and biogas conditioning equipment. The raw biogas pipeline is an integral part of the RNG digester and biogas conditioning equipment and is included in the required purchase for one dollar at the end of the 15-year term. The raw biogas pipeline connecting the digester and RNG equipment is in the exclusive possession of the lessee and meets the FERC guidelines for account 104, Gas plant leased to others. Therefore, the raw biogas pipeline is Gas plant leased to others with a 15-year service life to PGS and has been included in the proposed account 336.01, RNG Plant Leased.
- c. See attached simplified drawings provided for the Brightmark RNG and Alliance RNG projects located in files "Staff 2<sup>nd</sup> DR No 1(c) Brightmark Barns 3 4 Diagram.pub", "Staff 2<sup>nd</sup> DR No 1(c) Brightmark Barns 5 8 Diagram.pub", and "Staff 2<sup>nd</sup> DR No 1(c) Alliance Diagram.pub". The assigned depreciation accounts listed on the simplified drawings reflect company's thinking as of the date of filing this response. As noted in response to 2<sup>nd</sup> DR, No. 1(a), in the Updated Study and MFRs filed on April 4, 2023, the Alliance project pipeline extension and interconnect facility were included in 376.00, Mains Steel, but should have been included in 376.02, Mains Plastic, and 378.00, Measuring & Reg Station Equipment General, respectively. In the Updated Study and MFRs filed on April 4, 2023, the Brightmark mains for barns 5 and 8 were included in account 376.00, Mains Steel, but should have been included in account 376.02, Mains Plastic. In addition, the two Brightmark RNG project interconnect facilities were included in account 376.00, Mains Steel, but should have been included in account 378.00, Measuring & Reg Station Equipment General.

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 2  
BATES PAGE(S):3-5  
FILED: APRIL 14, 2023**

2. Please refer to PGS's response to 1<sup>st</sup> DR, No. 6.
- a. Referring to Staff's question in, and PGS's response to, 1<sup>st</sup> DR, No. 6(a), what is the commencement date of the Brightmark Project?
  - b. Based upon PGS's response to 1<sup>st</sup> DR, No. 6(c), is it fair to say that PGS believes that the Brightmark Project would result in no risk to the general body of ratepayers? Please explain your response.
- A.
- a. The in-service date and commencement date is April 4, 2023.
  - b. No. Peoples believes that the investment in the Brightmark Project under the approved RNG tariff will be fully recovered with little risk to the general body of rate payers.

Peoples has mitigated risks through contractual provisions with Brightmark that are listed below. During construction of the pipelines and the conditioning facility, Peoples and our ratepayers are protected from any non-performance by Brightmark. If the conditioning facility is unable to achieve successful commissioning, Peoples would be reimbursed for certain costs it incurred to date and would not close on the Purchase and Sale Agreement. Successful commissioning must be demonstrated and verified to Peoples' satisfaction before Peoples will participate in the project.

Upon successful commissioning, Peoples has taken steps to mitigate operator and credit risk. Brightmark has extensive experience operating renewable natural gas facilities (i.e., over 30 anaerobic digestion centers) across the United States. Having a successful operator in Brightmark reduces operational risk and maintain ongoing operations of this facility. For the pipeline component of this project, Peoples is the largest LDC in Florida with a proven record of excellence in operating pipelines.

Regarding credit risk, Brightmark and Chevron established a joint venture to develop, operate and own RNG facilities across the United States. Chevron is a well-established global energy company that substantiates Brightmark's commitment to successful RNG projects. Further, Peoples required credit support from Brightmark equivalent to two years of the monthly service charge for both the lease

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 2  
BATES PAGE(S):3-5  
FILED: APRIL 14, 2023**

agreement and the RNG services agreement, which was deemed appropriate, per the Renewable Natural Gas Service Rate Schedule in the Tariff. Additionally, Peoples has contractual rights in both agreements for events of termination by Brightmark to mitigate exposure. Peoples negotiated and priced both agreements to receive the full return of our investment in a 15-year term. The depreciable lives of these assets are much longer than 15 years, but Peoples sought to obtain recovery in a shorter period than the depreciable life of the assets to mitigate risk.

There are several contract provisions in the project agreements that mitigate risk. The provisions listed below can be found at the following bates numbered pages in the company's response to Staff's First Data Request in this docket:

- Provisions granting Peoples certain rights if Brightmark fails to satisfy the specified conditions precedent in the Purchase and Sale Agreement, (BS 28)
- Provisions granting Peoples remedies if closing under the Purchase and Sale Agreement does not occur by a specified deadline. (BS 29)
- Provisions in the Purchase and Sale Agreement granting Peoples the option to terminate the Agreement if certain specified events occur. (BS 20)
- A paragraph in the Purchase and Sale Agreement granting Peoples certain remedies if the Agreement is terminated. (BS 32)
- Provisions granting Peoples certain remedies if Brightmark breaches the Purchase and Sale Agreement (BS 37-38)
- Provisions in the lease agreement granting Peoples remedies for Brightmark's failure to make lease payments, including late payment charges. (BS 285-286)
- Remedies for Brightmark's breach of the lease agreement, including termination rights. (BS 298-300)
- Provisions granting Peoples the right to terminate the lease if an event occurs that prohibits a party from fulfilling its obligations under the lease. (BS 303-304)
- Provisions in the Renewable Natural Gas Services Agreement allowing Peoples to charge late payment charges and providing the company with other remedies for late payment. (BS 337).

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 2  
BATES PAGE(S):3-5  
FILED: APRIL 14, 2023**

As mentioned above, Peoples also negotiated for and obtained parent company financial guarantees for the project. These guarantees were produced as part of the company's response to Staff's First Data Request in this docket at the following bates numbered pages:

- Purchase and Sale Guaranty (BS 74-84)
- Lease Guaranty (BS 85-86)
- RNGSA Guaranty (BS 350-373)

Finally, as mentioned in the company's response to Staff's First Data Request No. 6(c), the company obtained insurance and indemnity provisions in the project agreements. These provisions can be located at the following bates numbered pages in the company's response to Staff's First Data Request:

- BS 216-217
- BS 260
- BS 288-290
- BS 295-297

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 3  
BATES PAGE(S):6  
FILED: APRIL 14, 2023**

- 3.** Please refer to PGS's response to 1<sup>st</sup> DR, No. 8.
  - a. Please confirm that the "FGT pipeline," referred to in the response to 8(a), stands for "Florida Gas Transmission pipeline."
  - b. Is it correct that the "pipeline extension" will not be included in the RNG plant that PGS will buy and lease back to Brightmark as discussed in Paragraph 21.c. of the instant petition? Please explain your response.
- A.**
  - a. Yes.
  - b. Yes. Please see company's response to 1<sup>st</sup> DR, question 10(b).

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 4  
BATES PAGE(S):7  
FILED: APRIL 14, 2023**

4. Referring to PGS's response to 1<sup>st</sup> DR, No. 9(c):
  - a. Please explain whether all the renewable natural gas generated at the Larson Dairy Farm will be sold to PGS.
  - b. If the response to Question No. 4(a) is affirmative, please explain how the Larson Dairy Farm-produced RNG will be priced.
  
- A.
  - a. Brightmark will retain ownership of the RNG at the site and when it is injected the pipeline extension and interstate transmission pipelines and the contracts currently do not contemplate Peoples purchasing the gas.
  - b. Not applicable. See response to 2<sup>nd</sup> DR, No. 4(a).

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 5  
BATES PAGE(S):8-9  
FILED: APRIL 14, 2023**

5. Please refer to PGS's responses to questions Nos. 5(a) and 10(b):
- a. PGS's response to No. 10(b) reads "[PGS] plans to recover the investment in the pipeline extension over a 15-year period through the Monthly Service Charge." Based on this, is that correct that the "pipeline extension" will be depreciated at an annual rate of 6.7 (= 1/15) percent? Please explain your response.
  - b. PGS's response to question No. 5(a) reads "the pipeline extension will be included in Account 376.00 Main Steel." PGS's currently approved depreciation rate for Account 376.00 is 2.1 percent; and in its 2022 Depreciation Study, PGS proposed to increase it to 2.4 percent for this account, is that correct? Please explain your response.
  - c. Please explain in detail how PGS would recover the "pipeline extension" using an annual depreciation rate of 6.7 percent while booking the plant asset in an account which has an annual recovery rate of 2.1 percent or 2.4 percent (if approved by the Commission).
- A.
- a. No. As stated in the response to 1<sup>st</sup> DR No. 10(b), the pipeline extension will be owned by PGS in perpetuity and will not be part of the required one-dollar purchase obligation at the end of the 15-year term. In addition, the pipeline extension does not meet the FERC guidelines for account 104, Gas plant leased to others, as the lessee does not have exclusive possession. Therefore, the pipeline extension was not included in the proposed account 336.01, RNG Plant Leased, 15 Years and was instead included in account 376.00, Mains Steel, in the Updated Study and rate case MFRs filed on April 4, 2023.
  - b. Yes, PGS is proposing to increase the depreciation rate for account 376.00, Mains Steel, from 2.1 percent to 2.4 percent. See explanation in company response to 2<sup>nd</sup> DR, No. 5(a) above for why PGS is including the pipeline extension in account 376.00, Mains Steel.
  - c. As stated in the company's response to 1<sup>st</sup> DR, No. 10(b), the Monthly Service Charge for the pipeline extension assumes a 15-year recovery period, which is how the company will recover the pipeline extension in compliance with the RNG Service tariff 7.404 (i.e., the

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 5  
BATES PAGE(S):8-9  
FILED: APRIL 14, 2023**

tariff allows the company to recover the installed cost using a Monthly Service Charge that is mutually agreed between Peoples and the customer). In addition, as explained above in the company's response to 2<sup>nd</sup> DR No. 5(a), inclusion of the pipeline extension in account 376.00, Mains Steel, which will be depreciated at the steal main rate of 2.4% (i.e., rather than the 15-year term of the lease/buyback agreement) if approved by the Commission, was deemed more appropriate than inclusion in proposed account 336.01, RNG Plant Leased – 15 Years.

**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20220212-GU  
DOCKET NO. 20230023-GU  
STAFF'S SECOND DATA REQUEST  
REQUEST NO. 6  
BATES PAGE(S):10  
FILED: APRIL 14, 2023**

- 6.** Referring to PGS's response to 1<sup>st</sup> DR, No. 12(b) and (c), please identify the estimated annual amount of RNG (therms) that will be transported from the Larson Dairy Farm to the interstate transmission pipeline.
  
- A.** The Larson Dairy Farm anticipates generating about 1,710,000 therms (i.e., 171,000 MMBtu) of renewable natural gas each year (link to press release - [Brightmark Energy Partners with Larson Family Farms on Florida Biogas Project - Florida Trend | Press Release](#) ).