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June 10, 2024

BY E-PORTAL

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

Docket No. 20240039-GU: Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.

Dear Mr. Teitzman:

Attached for filing, please find Florida City Gas's and Peninsula Pipeline Company's Joint Responses to Staff's Fourth Set of Data Requests. Certain attachments to these responses contain confidential information and are therefore provided in redacted form only. Highlighted versions, along with a request for confidential classification, will be provided under separate cover via hand delivery.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

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Cc: Certificate of Service

Docket No. 20240039-GU: Petition for approval of transportation service agreements between Peninsula Pipeline Company, Inc. and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas.

Peninsula Pipeline and Florida City Gas's Joint Responses to Staff's Fourth Set of Data Requests

1. **Please provide a copy of the agreements between each RNG producer and FCG. If any of these agreements are not yet final or approved, provide an estimated date for when you anticipate them to be finalized.**

Company Response:

The interconnection agreements between FCG and the RNG producer are provided as confidential Attachment A (Miami-Dade Project), Attachment B (Brevard Project), and Attachment C (Indian-River Project). The interconnection agreements were entered into between FCG and the RNG producer before FCG was acquired by Chesapeake and were finalized on the date reflected in each contract. Upon acquisition of FCG by Chesapeake Utilities Corporation, it was determined that these projects would be a better fit as a Peninsula project as the project is more in line with the transmission activity projects that Peninsula has expertise in facilitating and building.

Regarding the commodity purchase agreement, the Company has, to date, only finalized an agreement for the Indian-River gas supply project. This agreement was farther along before the acquisition of FCG by Chesapeake Utilities Corporation, and the completed agreement has been provided as confidential Attachment D. The agreements for gas supply for the Miami-Dade and Brevard projects are expected to be finalized pending the approval of the projects by the Commission.

a. **Identify and describe the portion(s) of the agreements between each RNG producer and FCG that may impact the transportation service agreements (TSA) between FCG and PPC. These should include, if applicable, any cost-sharing arrangements regarding gas transportation expenses, in-service dates, terms regarding treatment of a reduction, delay, or cessation of production gas flows, etc.**

Company Response:

The terms of the agreements between FCG and the RNG producers will have no direct impact on the Transportation Service Agreement rate between PPC and FCG directly. There are no terms directly linked between the agreements.

There is no cost sharing directly stated in the agreements, but with the interconnect agreements, FCG can recognize the benefits of additional gas supply at a reduced cost vs the expected cost of a traditional pipeline capacity expansion project. Additionally, a further benefit to FCG's ratepayers is that the expense of the project between FCG and RNG producers. These split costs include items such as operations and maintenance expenses, in a traditional pipeline capacity and reliability expansion project, all of these costs would be borne by the ratepayers.

b. Provide an estimate of the annual amount of payments to and from the RNG producer under the contract for each year of the contract term, and a net present value of the total payments. As part of this estimate, provide a breakdown of the components of each of the payments (such as for gas, RNG credit sharing, maintenance, or other revenues/expenses).

Company Response:

The interconnect agreements will be amended to Peninsula should this petition be approved. The net present value of these payments per the existing agreements is provided in confidential Attachment E.

c. Provide an estimate of the annual purchased gas cost under the contract for each year of the contract term.

Company Response:

There are two components to the gas purchase in these transactions; commodity and capacity/transportation. The commodity portion of the payment is based upon a published index that is the industry standard for liquidity and price transparency in Florida, Inside FERC's Florida Gas Transmission Zone 3. The value of index goes up and down over time, based upon supply and demand, and so it is difficult to provide an exact future annual gas cost. However, the Company can confirm that we will be purchasing gas at parity to any other gas flows out of Florida Zone 3.

A significant savings to the ratepayers will be seen in the capacity component of the contract price. The price negotiated represents a discount to the expected cost of incremental capacity, and therefore represents a savings to rate payers, as more fully discussed in response to Request 1D. An analysis of the expected total savings is provided as confidential Attachment F.

d. **Provide a comparison of the cost of gas purchased under the contract with the cost of gas from traditional out of state sources for each year of the contract term.**

Company Response:

As discussed in response 1C, under the terms of the gas purchase agreement, the commodity costs are expected to be equivalent to that of out-of-state supply. The notable benefit to consumers is in avoided capacity costs as estimated in the Company's answer to 1C. Please refer to confidential Attachment F for the comparison of cost of gas purchased vs traditional out of state sources.

Purchasing locally-sourced gas is less expensive compared to the alternative of procuring long-haul capacity for incremental requirements. The most recent project providing long-haul capacity to Florida on FGT was Phase Eight. The capacity created by Phase Eight is known by rate schedule FTS-3. The current maximum rate for this capacity on FGT for FTS-3 capacity is $0.89Dth/day, and a new, incremental project designed to provide additional capacity to FGT's East Leg (which has no available long-haul capacity) is likely to cost more on a per dekatherm basis. These projects provide supply to constrained locations without FCG having to procure additional, expensive FGT capacity.

For these projects, FCG is only purchasing the gas commodity at market rate. The environmental attributes which make RNG "Renewable" are being managed by the producer of the RNG, and sold on the secondary market. FCG is not party to any part of the environmental attribute transaction. Under the terms of these contracts, FCG incurs no costs and does not take ownership of the environmental attributes.

2. **Please provide the annual amount of current and projected capacity reserved by FCG from other source(s), such as interstate pipelines, for each of the counties for which a TSA is being sought and FCG's annual amount of current and projected customer demand for each of those counties for the years 2020 through 2034.**

Company Response:

Please refer to DR 3, questions 10 and 11. The information provided in these questions contains the FGT capacity holdings that FCG has rights to in order to serve FCG's customers in these areas. There is currently no available long-haul capacity as FGT is fully subscribed.

a. **Identify and provide the reliability requirements must FCG meet above the customer demand, along with the source of that requirement (such as a federal, state, or local code, rule, or statute).**

Company Response:

As the Commission has recognized, Florida has a regulatory framework established through statute that grants utilities specific rights and responsibilities, including the obligation to serve all customers within their service territory. That service must be adequate, safe, and reliable. Further reflecting the importance of both reliability and limited service interruptions is Rule 25-7.048, Florida Administrative Code, which addresses the importance of making "all reasonable efforts" to prevent interruptions and to make any necessary interruptions as limited as possible. Similarly, Rule 25-7.050 emphasizes the importance of maintaining appropriate pressure for meeting customers' service needs, which is an important component of reliability.

b. **Identify and describe any long-term supply options FCG is evaluating to address projected customer demand. As part of this description, state when each of the supply option(s) is projected or scheduled to be implemented.**

Company Response:

FCG is continually evaluating the market environment for new opportunities to ensure reliable and economical gas supply to its systems.

c. **Please discuss FCG's plans, if any, to purchase additional capacity to meet demands in each of the three areas impacted by the proposed TSAs. As part of that discussion, state when FCG anticipates making the capacity purchases.**

Company Response:

These projects help support customer demand and the capacity needs in three areas in the proposed TSA's. FCG continues to look for additional solutions to meet its capacity needs.

3. **Please refer to the Company's response to staff's third data request, No. 2.**
   a. **Does Peninsula and/or FCG agree that a Commission decision to approve the TSAs in the instant docket does not bind the Commission in establishing cost recovery through the Purchased Gas Adjustment (PGA) Clause and/or base rates, except that the rate established by the TSAs are just and reasonable pursuant to Section 368.105(3), Florida Statutes? If not, explain.**

Company Response:

FCG agrees with this statement.

   b. **The responses states that "the Commission will have an opportunity to review the associated capacity costs FCG will incur in the annual review of the PGA factor." Please clarify what is meant by "associated capacity costs."**

Company Response:

The Company is referring to the associated capacity that is the reservation charge in the FTSA. This is not dissimilar to the associated capacity costs in the more traditional supply sources.

   c. **Please explain and discuss the "other associated costs" that could be an issue in the next rate case.**

Company Response:

There are no other associated costs for these projects that could be an issue in the next rate case.

4. **Referring to the responses to Staff's Third Data request, Nos. 15 and 17, please explain how the portion of the costs for each project (Brevard County and Miami Dade) allocated to FCG was determined. Provide any supporting documentation to show how the allocation percentages were determined.**

Company Response:

In this case, the Producer was inclined to pay a higher portion of the project costs due to its anticipated ability to receive and retain RNG credits. FCG will benefit through the strategic access to additional capacity with delivery points accessible to FCG's system. As such, FCG was allocated a smaller portion of the project costs. This split benefits FCG and its rate payers because FCG will bear a limited portion of the project costs.

5. **Referring to the responses to Staff's Third Data request, No. 16, please explain why the whole Indian-River County Project is paid for (by) FCG (and there is no splitting of the costs between utility and the producer).**

<u>Company Response:</u>

The amount referenced in Third DR NO. 16 is for the pipeline portion of the project only. The RNG producer is paying for an additional portion of the project related to installation of a gas monitoring system, a gathering line, and a meter.

FCG is paying its portion of the Indian River County project because the benefits of the project go beyond just providing access to RNG supply. FCG will experience significant additional benefits due to the interconnection of the three systems in the area, as well as the additional gas supply to the area. The project will enhance both supply and deliverability in the county by linking the three systems, which will enable FCG to spread the gas throughout different systems in the county and ensure that its system in the area has sufficient gas supply to meet expected future demand.

Attachment A

Attachment B

Attachment C

Attachment D

Attachment E

Attachment F