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| State of Florida  pscSEAL | | Public Service Commission  Capital Circle Office Center ● 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850  -M-E-M-O-R-A-N-D-U-M- | |
| DATE: | October 20, 2022 | | |
| TO: | Office of Commission Clerk (Teitzman) | | |
| FROM: | Division of Economics (Ward, Draper)  Office of the General Counsel (Stiller) | | |
| RE: | Docket No. 20220159-GU – Joint petition by Peoples Gas System and Florida Public Utilities Company for approval of special contract. | | |
| AGENDA: | 11/01/22 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Graham |
| CRITICAL DATES: | | | None |
| SPECIAL INSTRUCTIONS: | | | None |

Case Background

On September 13, 2022, Peoples Gas System (Peoples) and Florida Public Utilities Company (FPUC) (jointly, Petitioners) filed a joint petition for approval of a special contract (contract). Under the terms of the contract, Peoples would provide FPUC with firm gas transportation service for a nineteen-month term commencing on November 1, 2022. Peoples and FPUC own and operate natural gas facilities in Florida and are subject to the regulatory jurisdiction of the Commission pursuant to Section 366.06, Florida Statutes (F.S.).

During the evaluation of the petition, staff issued data requests to Peoples and FPUC. Responses from FPUC were received on September 28, 2022 and responses from Peoples were received on October 6, 2022. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1:

 Should the Commission approve the special contract between Peoples and FPUC?

Recommendation:

 Yes, the Commission should approve the special contract between Peoples and FPUC as shown in Attachment A to the recommendation. The contract is reasonable because it facilitates the delivery of natural gas into Nassau County and benefits FPUC’s and Peoples’ general body of ratepayers. The contract should be effective November 1, 2022. (Ward)

Staff Analysis:

Existing Agreement

On September 20, 2021, Peoples and FPUC entered into a gas transportation agreement (2021 agreement) that was subject to termination on October 1, 2022. The Parties agreed to extend the 2021 agreement until October 31, 2022. The Parties explained that the 2021 agreement did not require Commission approval since the terms and conditions of the 2021 agreement did not deviate from Peoples’ Commission-approved tariff. Under the 2021 agreement, FPUC received service under Peoples’ interruptible (IS) Rate Schedule. Pursuant to the 2021 agreement, Peoples transported natural gas from the Florida Gas Transmission’s (FGT) interstate pipeline at the PGS-Jacksonville main gate to the Radio Avenue Interconnect into the Callahan Pipeline. The Callahan Pipeline is a 16-inch steel pipeline that was constructed in 2019 to allow FPUC and Peoples to expand natural gas service in Nassau and Duval counties.

Proposed Contract

In response to staff’s first data request, FPUC stated that the Transco Zone 5 index represents the prevailing price index for the natural gas FPUC procures for its operations in Nassau County. FPUC explained that the Transco Zone 5 market has been disproportionately impacted by price increases due to natural gas shortages in Europe that have increased domestic exports of natural gas. As a result of the price increases, FPUC stated that they have been seeking natural gas supply from alternate receipt locations, such as FGT, that do not rely on Transco Zone 5.

In June 2022, FPUC contacted Peoples seeking to convert the 2021 agreement into a new contract for firm service as firm service is typically preferable to interruptible service. The Petitioners explained that discussions concerning a new agreement have resulted in the proposed contract. The proposed contract would allow Peoples to provide FPUC with firm service for a limited duration and obtain a fixed monthly reservation fee for the service provided. The term of the contract extends as far into the future as Peoples has the capability on its infrastructure to offer the service in consideration of expected future growth on Peoples’ system. FPUC stated that after the contract expires, FPUC plans to revert to using firm Southern Natural Gas (Sonat) capacity for its supply requirements. Sonat is an interstate [natural gas](https://en.wikipedia.org/wiki/Natural_gas) pipeline system which brings gas from the [Louisiana](https://en.wikipedia.org/wiki/Louisiana) [Gulf of Mexico](https://en.wikipedia.org/wiki/Gulf_of_Mexico) coast to the southeastern [United States](https://en.wikipedia.org/wiki/United_States), including Florida.

Pursuant to the proposed contract, the receipt points, delivery points, and points of delivery would remain the same as in the 2021 agreement. The contract is for a nineteen-month term commencing on November 1, 2022, and terminating on June 1, 2024. The terms of the contract include a negotiated monthly charge for the reservation of firm capacity and transportation service on Peoples’ distribution system and a daily maximum transportation quantity.

FPUC explained that the alternative supply received under the contract would benefit the general body of ratepayers by more than $10 million over the nineteen-month term. Peoples explained that the contract would generate revenues for Peoples, benefiting Peoples’ general body of ratepayers. The Petitioners explained that FPUC will be able to pay a lower cost per dekatherm under the special contract in comparison to the 2021 agreement because of a fixed fee structure. FPUC will recover its payments to Peoples through the Purchased Gas Adjustment (PGA) and from third-party transportation customers that utilize the alternative supply into Nassau County.

Conclusion

Based on the review of the petition and responses to staff’s data requests, staff believes the proposed special contract is reasonable because it facilitates the delivery of natural gas into Nassau County and benefits FPUC’s and Peoples’ general body of ratepayers. Staff therefore recommends approval of the proposed special contract between Peoples and FPUC effective November 1, 2022.

Issue :

 Should this docket be closed?

Recommendation:

 If no protest is filed by a person whose substantial interests are affected within 21 days of issuance of this order, this docket should be closed upon the issuance of a consummating order. (Stiller)

Staff Analysis:

 If no protest is filed by a person whose substantial interests are affected within 21 days of issuance of this order, this docket should be closed upon the issuance of a consummating order.

