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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: | November 30, 2017 | | |
| TO: | Office of Commission Clerk (Stauffer) | | |
| FROM: | Division of Economics (Ollila)  Office of the General Counsel (Trierweiler, Dziechciarz) | | |
| RE: | Docket No. 20170206-GU – Petition for approval of tariff modifications to accommodate receipt and transportation of renewable natural gas from customers, by Peoples Gas System. | | |
| AGENDA: | 12/12/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Administrative |
| CRITICAL DATES: | | | 8-Month Effective Date: 5/19/18 (60-day suspension date waived by the utility) |
| SPECIAL INSTRUCTIONS: | | | None |

Case Background

Peoples Gas System (Peoples or company) is a local distribution company subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.), and serves approximately 365,000 natural gas customers across Florida. On September 19, 2017, Peoples filed a petition for approval of tariff modifications to accommodate the receipt of renewable natural gas (RNG) on the company’s distribution system. RNG is biogas that has been processed to meet pipeline quality standards. Biogas sources include wastewater treatment plants, landfills, municipal solid waste, livestock manure, agricultural residues, and energy crops.

According to Peoples, local distribution companies in other states, e.g., SoCalGas in California, have begun to accept natural gas into their systems from customers who produce pipeline-quality natural gas from renewable biomass sources. Exhibit A attached to the petition contains an article discussing RNG and its applications in other states and Europe. This is the first tariff filing by a Florida natural gas utility giving biogas producers the option of delivering RNG into the utility’s distribution system.

In an email, the company waived the 60-day suspension deadline pursuant to Section 366.06(3), F.S. On October 20, 2017, the company filed responses to staff’s first data request, including a modification to its proposed new tariff sheet No. 7.404-1. In response to staff’s data request, Peoples also withdrew its proposed revisions to tariff sheet Nos. 7.101-5 and 7.101-6 as the changes were not necessary. The proposed tariff sheets are contained in Attachment A. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue :

 Should the Commission approve Peoples' proposed tariff modifications?

Recommendation:

 Yes, the Commission should approve Peoples’ proposed tariff modifications, as revised on October 20, 2017, effective December 12, 2017. (Ollila)

Staff Analysis:

Background

In its petition, Peoples stated that it has been approached by potential customers (e.g., landfill operators and wastewater treatment plant owners) who wish to deliver RNG into Peoples’ distribution system. The potential projects are waste-to-energy requests for proposals (RFPs) issued by local governments including Hillsborough, Polk, and Volusia Counties, as well as the City of St. Petersburg. According to Peoples, the potential projects would reuse waste gas that now escapes into the atmosphere or is flared (burned off).

The biogas producer could use the RNG onsite or contract with a customer who will purchase the RNG from the biogas producer. Potential customers may include compressed natural gas (CNG) fill stations and industrial customers, or Peoples could purchase the RNG, thus displacing a portion of traditional (geologic) natural gas with RNG.

Proposed Tariff Modifications

Peoples proposed two tariff modifications: (1) modifications to current tariffs to accommodate the receipt of RNG from biogas producers and (2) a proposed new rate schedule for Renewable Natural Gas Service (RNGS) for conditioning services. The two modifications are discussed below.

Modifications to Current Tariffs

Peoples is proposing to modify Rate Schedules GS-3 (50,000 – 249,999 therms per year), GS-4 (250,000 – 499,999 therms per year), and GS-5 (500,000+ therms per year) to add provisions related to Peoples’ receipt of RNG into its system. Biogas producers, who contract with Peoples to deliver RNG into Peoples’ distribution system, would be billed by Peoples the otherwise applicable base rates for the use of Peoples’ distribution system to transport the RNG. While biogas producers would pay tariffed base rates, biogas producers would not pay the company’s purchased gas adjustment clause and the energy conservation cost recovery clause. If the RNG is used on-site only by the biogas producer, the biogas producer would not pay Peoples’ base rates (i.e., GS-3 through GS-5) since there is no transport of RNG on Peoples’ system.

Other proposed modifications to Peoples’ current tariffs address gas quality. Peoples describes these tariff modifications as relatively minor since the company believes that the tariff’s existing provisions related to gas quality are sufficient. Peoples proposes to add a sentence stating that the company may refuse to accept any gas or RNG tendered by a biogas producer to Peoples if the gas does not meet the quality standards set out in the tariff. According to Peoples, the primary goal of these modifications is to ensure that any RNG delivered into the company’s system by a biogas producer does not adversely affect the safety or operation of the system.

New Rate Schedule RNGS

Peoples may provide the necessary services to condition or upgrade the biogas in order to convert the biogas into pipeline quality RNG. The company explained that each RNG project is expected to vary in scope, site conditions, and biogas characteristics such as methane content; the company anticipates that most biogas will require some processing prior to injection into Peoples’ system. The upgrading services can also be provided by private companies; in that case, Peoples would only test the quality of the RNG before it enters its system. If a biogas producer contracts with a private entity to provide the upgrading services, the RNGS tariff would not apply.

The proposed new RNGS rate schedule will allow Peoples to recover from biogas producers the cost of upgrading the biogas. The RNGS rate schedule does not contain standard charges, as the services provided will vary based on the steps needed to upgrade the biogas to RNG. The monthly services charge would be equal to a mutually agreed upon percentage (between Peoples and the biogas producer) multiplied by Peoples’ gross investment in the facilities necessary to provide biogas upgrading services. The gross investment may include facilities such as blowers, chillers, condensate removal equipment, quality monitoring equipment, etc. Peoples explained that the monthly services charge would be designed to recover the revenue requirement, including the operations and maintenance costs, associated with constructing and operating the biogas processing infrastructure.

Under Peoples’ proposal, its RNG service would not include services related to capturing or producing biogas. In addition, title to the biogas, both before and after any conditioning necessary to transform it into RNG, would remain with the biogas producer.

Potential Benefits of RNG

In its petition, Peoples explained that its proposed tariff modifications address the needs of its customers and are responsive to inquiries from owners and developers of biogas sources. Peoples asserted that service under the proposed tariff modifications will cover costs and provide benefits to Peoples’ system and its general body of ratepayers while maintaining current safety and operational requirements for the company’s gas distribution system. Peoples stated that it believes its proposed tariff modifications are reasonable and consistent with the legislatively expressed state policy of encouraging the use of renewable fuels.

In response to staff’s request to discuss the potential benefits to the general body of ratepayers of the proposed RNG tariffs, Peoples stated that the proposed tariff could provide improved environmental compliance and new revenue sources for owners and producers of biogas, which could in turn provide opportunities to stimulate local economies and create jobs. RNG is interchangeable with pipeline gas; therefore, opportunities may be available for Peoples to enhance the diversity of its gas supply. In addition, RNG used in natural gas vehicles furthers the goal of reducing reliance on traditional liquid fuel sources.

Conclusion

After review of the company’s petition and its responses to staff’s data request, staff believes that the proposed RNG program and tariff provisions are reasonable and will cover the associated cost; therefore, staff recommends approval of the proposed tariff modifications, as revised on October 20, 2017, effective December 12, 2017.

Issue :

 Should this docket be closed?

Recommendation:

 If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Trierweiler)

Staff Analysis:

 If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

















