

Jacob Ve Vaughn

From: Office of Commissioner Fay
Sent: Thursday, August 13, 2020 3:09 PM
To: Commissioner Correspondence
Subject: FW: Docket No. 20200093 - FPSC - In re: Petition for approval of tariff modifications for liquified natural gas service by Peoples Gas System
Attachments: Commission from AB re response to Moyle.Eagle LNG ltr to Comm (8-13-20) AB.pdf

Please place the attached in Dkt. No. 20200093

Thanks

Veronica D. Washington

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From: Pamela L. Brown [<mailto:plb@macfar.com>]
Sent: Thursday, August 13, 2020 1:54 PM
To: Office of Chairman Clark; Office of Commissioner Graham; Office of Commissioner Brown; Office of Commissioner Polmann; Office of Commissioner Fay
Cc: Braulio Baez; Keith Hetrick; Andrew M. Brown; 'KFloyd@tecoenergy.com'; 'REGDEPT REGDEPT'; Terri Kneibler; Thomas R. Farrior; 'Bramley, Karen L.'; JR Kelly; 'morse.stephanie@leg.state.fl.us'; Kurt Schrader; Jon Moyle
Subject: Docket No. 20200093 - FPSC - In re: Petition for approval of tariff modifications for liquified natural gas service by Peoples Gas System

Good afternoon:

Attached please find correspondence from Attorney Andrew Brown/Peoples Gas System in response to correspondence sent to the Commission dated 7-31-20 by Jon Moyle, representing Eagle LNG in the above matter.

Pam L. Brown

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August 13, 2020

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**Re: In re: Petition for approval of tariff modifications for liquified natural gas service
by Peoples Gas System; Docket No. 20200093-GU**

Dear Commissioners:

This letter is the response of Peoples Gas System (“Peoples”) to correspondence to the Commission dated July 31, 2020 sent by Jon Moyle, representing Eagle LNG (Eagle).

At the outset, it should be noted that from a matter of procedure, there is no basis for a filing of this type. Nothing within the Florida Administrative Code allows for letters to be sent to the Commission offering thoughts about how the Commission should adjudicate a Petition pending

before it. Therefore, Peoples initially would ask the Commission to disregard and remove from the docket Eagle's July 31, 2020 letter.

Should the Commission decide to consider the letter, Eagle's arguments are not accurate and are based on a significant misunderstanding of what Peoples is seeking to do in its LNG Petition. Mr. Moyle's letter assumes that Peoples will be building LNG facilities "on spec". That is simply contrary to what Peoples seeks under the proposed tariff. As Peoples has explained in the Petition and in its discovery responses, Peoples will only build LNG facilities if it has firm contracts with well-capitalized customers who seek access to LNG for their business purposes. Peoples will not be making a major capital investment to build an LNG facility and then going out into the marketplace to find customers to pay for the facility. If there are no customers with which Peoples has contracts in place for the construction of an LNG facility, then Peoples will not be building such a facility. Furthermore, Eagle seems to assume that Peoples LNG tariff is solely intended for the marine market. This is also incorrect. People's Petition is for LNG services with multiple applications, such as power generation storage and peak shaving, train and truck fleet fuel options, as well as marine markets.

With that understanding of what Peoples' Petition is actually seeking, let me now address Eagle's specific arguments to deny the Petition.

- 1. Peoples proposed tariff does not require regulatory oversight of the LNG market.** The purpose of the proposed tariff is to allow Peoples to build and operate LNG facilities for customers who desire such service and who believe that it would be more cost-effective to have a facility built, and the LNG produced, in proximity to their need rather than having to take delivery of LNG from distant locations. Peoples superior position in the marketplace is not a result of being regulated; rather, it is because Peoples is able to deliver natural gas to customers in an efficient fashion. Allowing the Company to have a tariff for LNG service is a natural extension of the natural gas business. Simply, some customers would like natural gas delivered to them, but in liquid, not gaseous, form. As is typical with Peoples' industrial customers, the customer would still procure their physical gas supply. Peoples would transport a customer's fuel through its distribution system and then provide LNG services in the form of liquefaction, storage and/or regasification. Approving this Petition would not require the Commission to regulate the LNG market and Peoples is not asking the Commission to get involved in such regulation.
- 2. The granting of the LNG tariff will not put rate payers at risk.** Eagle references an LNG facility that Peoples is seeking to be put in rate base in its Rate Case Petition. That facility is completely unrelated to any LNG facility that would be built pursuant to the proposed LNG tariff. The facility Peoples proposes to place in rate base is to be used for peak shaving by Peoples as the most economical alternative to resolving pipeline constraints in the Miami area. It is completely unrelated to Peoples' proposed LNG tariff and again demonstrates Eagle's lack of understanding of the LNG Petition.

As Peoples has explained in its responses to discovery from the Office of Public Counsel (OPC) and Commission staff, Peoples will not be building LNG facilities on “spec”. Peoples will be contracting with well-capitalized customers who desire LNG service. Consistent with all capital investment and long-term contracts that Peoples may enter, Peoples will evaluate a customer’s financial ability to meet its obligations throughout the full contract term. The contracts for the LNG facilities will contain appropriate terms and conditions to protect Peoples and its ratepayers. The contracts may, where appropriate, include financial guarantees such as surety bonds and/or letters of credit. The customers interested in contracting with Peoples for LNG service will already have assessed the viability of their need for LNG service. It is extremely unlikely that any company that contracts with Peoples for LNG service would subsequently default or declare bankruptcy.

3. **Granting the LNG tariff will not cause cross subsidization or regulatory inefficiency.** Under Peoples proposed tariff, the customers who contract with Peoples will support the full revenue requirement of the LNG facilities, using the typical cost of service model. The general body of ratepayers will not subsidize LNG facilities. This is essentially the same business model that the Commission has approved in Peoples CNG and RNG tariffs. There will be no accounting issues or Commission investigative activities beyond those that are already undertaken in analyzing Peoples CNG and RNG businesses. In fact, the accounting and regulatory issues would be much more difficult if Peoples were forced to create a separate company for the LNG facilities and it would create inefficiencies and greater cost to customers by virtue of the separate companies overhead and resulting additional costs. In addition, the proposed LNG tariff would benefit the general body of ratepayers by broadening the customer base and spreading the recovery of the distribution system to large industrial-like customers, contributing to keeping rates low for all customers. For a further discussion of these issues see Peoples Response to Request Number 2 of Staff’s Second Data Request.
4. **By not approving Peoples proposed LNG tariff, the Commission will diminish competition in the LNG industry.** By approving Peoples petition, the Commission would allow Peoples to provide LNG services to customers. The approval does not eliminate other parties, such as Eagle, from participating in the LNG market in any way. Peoples can provide market competitive offerings not because it is regulated but rather because it is in the natural gas business and has the technical ability, existing infrastructure, and access to gas supply to provide natural gas to a given location. As a result, Peoples is in position to offer LNG services as part of providing natural gas solutions to its customers. Peoples’ proposed tariff would provide another option to customers, across many industries in Florida, with efficient LNG services which will contribute to growth, reliability and economic stability in our state. Eagle’s argument is that customers should not have an option to utilize Peoples’ LNG tariff and should be limited to using Eagle or another private developer. Peoples proposed LNG tariff

actually increases competition in that it will provide customers additional options for LNG service.

In conclusion, Eagle misunderstands what Peoples is attempting to do with its proposed LNG tariff. Peoples general body of ratepayers will not be subsidizing any LNG facility constructed under the proposed tariff. Peoples simply seeks to be a complete natural gas supplier to its customers as their needs evolve, just as it has done in the CNG market and the RNG market. Eagle is transparently trying to prevent competition to the detriment of customers by hindering Peoples response to its customers' needs by providing LNG service. There is no reason for the Commission to deny Peoples Petition for an LNG tariff.

Your assistance in this matter is greatly appreciated.

Sincerely,



Andrew M. Brown

AB/plb

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