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VIA E-PORTAL

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

Re: Docket No. 20210088-GU – Joint petition to modify tariffs to accommodate receipt and transport of renewable natural gas, by Florida Public Utilities Company, Florida Public Utilities - Indiantown Division, Florida Public Utilities - Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

Dear Mr. Teitzman:

Attached for electronic filing, please find the Joint Responses of Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, Florida Public Utilities Company – Fort Meade, and the Florida Division of Chesapeake Utilities Corporation to staff's first data requests issued in the referenced docket.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions or concerns.

Sincerely,

Beth Keating
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cc: Tripp Coston (PSC)
Stefanie-Jo Osborn (PSC)

Question:

1. In original tariff sheet No. 7.506--Applicability, please explain what is meant by "eligible customers" and what criteria would deem a potential customer not eligible to take service under the proposed RNGS tariff.

Companies' Response:

All customers interested in the Companies' RNGS services to upgrade and condition biogas, and for requisite gas services, will be able to enter discussions with any of the Companies for the purpose of working toward a mutually satisfactory service agreement. To be an "eligible customer," the respective Company and the Customer must agree upon all project terms including, but not limited to design, location, construction, operation of RNG facilities, creditworthiness, and rates. The Service Agreement must recover the Company's costs to provide services, including but not limited to return on investment, amortization and depreciation, and taxes, as well as any terms necessary to comply with other provisions as determined appropriate by the Company. The safety and performance of the Company's gas distribution system is of key importance and any customer who wishes to take service under this tariff must satisfy all concerns of the Company with regard to the project's impact on the Company's system. After these terms are agreed upon by the Company and the Customer, the Customer will be deemed an "eligible customer". If an agreement could not be met this would deem a potential customer not eligible to take service.

Question:

2. Has the Companies had discussions with potential biogas producers to provide conditioning service under the proposed RNGS tariff? If so, please state how many customers does the companies expects to take service under the proposed tariff?

Companies' Response:

The Companies have had preliminary discussions with several potential biogas producers. These potential producers include entities from the agriculture industry, such as dairy farms, and from landfill owners. While the Companies currently have no estimates as to how many customers may take service under the proposed tariff, RNG production from the industries noted above is operational in numerous projects throughout various states in the country. Based on anticipated demand for RNG services, as gauged through the Companies' discussions with RNG producers, as well as the status of biogas feedstock availability in the State, the Companies are proactively seeking to establish a solution for the growing RNG interest in its service territories.

Question:

3. Please state the estimated total cost to construct (or range of possible costs) the facilities under the proposed RNGS tariff.

Companies' Response:

The cost to construct biogas and RNG facilities under the proposed RNGS tariff can vary widely depending on the size and scale of the project. While some smaller scale projects may fall within the range of two to five million dollars, larger scale projects could potentially be \$40 million or more. These costs vary according to the amount of biogas to be produced and upgraded to pipeline quality RNG, and on the associated land, site work, facilities, as well as specific equipment needs necessary to meet the project's scale dictating the total cost to construct.

Question:

4. Please describe the anticipated routine maintenance to maintain the facilities and provide the estimated annual cost to operation and maintain these facilities.

Companies' Response:

As noted in the Companies' response to Question 3, while the cost to construct facilities can vary widely based on the size and complexity of the given project, so too can the cost to operate and maintain such facilities. However, the average estimated annual costs for routine maintenance and operations can be expected to range from \$850K and \$1.5 million depending upon the specifics and the location of the facility.

Routine maintenance is necessary to ensure the efficient and effective operation of the facility. This maintenance can include, but is not limited to:

- Monitoring pumps for flow, pressure, and clogging
- Routine lubrication and seal replacement as needed
- Corrosion monitoring
- Cleaning of drains and vents
- Filter replacement and cleaning
- Pressure relief valve monitoring and testing
- Heat exchanger cleaning and maintenance
- General housekeeping of the biogas facility site
- Safety inspections and necessary remediation from inspection

The list above is an example of some "anticipated routine maintenance" and, again, may vary by project.

Question:

5. Will the Companies use employees to complete the installation of these facilities? If not, is the intent of the utilities to hire outside contractors to complete part or all of the construction and installation process? Please explain.

Companies' Response:

The Companies anticipate issuing a Request For Proposal ("RFP") to hire outside contractors for the completion of the construction and installation process for the facilities. To the extent that any Company employees were used to complete the installation of the facilities, all labor costs including Company personnel would be included in the calculation of the monthly service charge.

Question:

6. Please confirm that all labor cost (FPUC labor and outside labor) will be included in the calculation of the monthly services charge.

Companies' Response:

Yes. All labor costs would be included in the calculation of the monthly services charge.

Question:

7. What internal controls and mechanisms are in place to ensure that the biogas that is conditioned and treated is up to gas quality and safety standards?

Companies' Response:

The Companies will use a combination of flow meters, chromatographs and mass spec analyzers to ensure that the conditioned biogas is consistent with pipeline quality gas and applicable safety standards.

Question:

8. What internal mechanisms and controls does the Companies have in place, or will implement, to ensure the credit worthiness of customers to be served under the RNGS tariff?

Companies' Response:

As stated in Section C - Deposits and Security of the Natural Gas Tariff, Original Sheet No. 6.075, the Companies may establish credit worthiness of customers by requiring each customer to:

1. Furnish a satisfactory guarantor to secure payment of bills for the service requested, such a guarantor need not be a Customer of the Company; or
2. Furnish an irrevocable letter of credit from a bank equal to two (2) Months average bills; or
3. Furnish a surety bond equal to two (2) Month's average bills; or
4. Pay a cash deposit.

Additionally, the Companies' financial department will review the financial strength of the customer to determine its credit worthiness in order to establish any further guarantees necessary to protect the Companies' capital expenditures, to be detailed in the individual Service Agreements.

Question:

9. How would the utility handle a customer who may enter default and no longer pay the monthly services charge?

Companies' Response:

In the event of a default, the Companies would discontinue service, terminate the agreement, and enact any/all remedies provided for in the service agreement. Anticipated contract provisions to protect the respective Company and its general body of ratepayers would likely include, but are not limited to, application of any deposit paid to the customer's account, seeking payment from a guarantor to cover the outstanding balance of the Companies' capital expenditures, and/or pursuing any and all possible legal or equitable claims against the customer.

Question:

10. In paragraph 10 of the petition, the Companies state that a "Customer may require an agreement between the Company and the Customer to purchase RNG services for minimum period of time, to take or pay for a minimum amount of RNG service, to pay contribution in aid of construction, to furnish a guarantee, and to comply with other service." Please explain how the Companies will make these determinations.

Companies' Response:

Because every RNG project is unique, each project will have to undergo extraneous financial forecasting and modeling to determine the terms needed to ensure that all costs associated with the project will be fully recovered from the customer. Where the estimated capital investment exceeds the maximum allowable cost, the Companies may require the customer to contract for a minimum period, a minimum amount, or to pay the appropriate contribution in aid of construction to safeguard the utility. In addition, each RNG customer will have to undergo background and financial checks to determine if a deposit or security is needed.