



July 20, 2023

ELECTRONIC FILING

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

Re: Docket No. 20230023-GU; Petition for Rate Increase by Peoples Gas System, Inc.

Docket No. 20220219-GU; Peoples Gas System's Petition for Rate Approval of 2022 Depreciation Study

Docket No. 20220212-GU; Peoples Gas System's Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Rebuttal Testimony of Luke A. Buzard and Exhibit No. LAB-1. Portions of Exhibit LAB-1 contain proprietary confidential business information which is being filed with your office under a separate cover letter and a request for confidential classification.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'Jeff Wahlen'.

Jeffrey Wahlen

JJW/ne

Attachment

cc: All parties of record



**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 20230023-GU

**PETITION FOR RATE INCREASE
BY PEOPLES GAS SYSTEM, INC.**

**REBUTTAL TESTIMONY AND EXHIBIT
OF
LUKE A. BUZARD**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

LUKE A. BUZAED

1
2
3
4
5
6 **Q.** Please state your name, address, occupation, and employer.
7

8 **A.** My name is Luke A. Buzard. My business address is 702 North
9 Franklin Street, Tampa, Florida 33602. I am employed by
10 Peoples Gas System, Inc. ("Peoples" or the "company") as the
11 Vice President of Pipeline Safety & Regulatory Affairs.
12

13 **Q.** Please describe your duties and responsibilities in that
14 position.
15

16 **A.** I am responsible for overseeing all aspects of the rates,
17 compliance, and regulatory matters under the jurisdiction of
18 the Florida Public Service Commission ("FPSC" or the
19 "Commission") for Peoples. I have also coordinated the
20 preparation and filing of Peoples' request in this base rate
21 proceeding. My duties also include responsibility for
22 Peoples' safety, damage prevention, emergency management,
23 environmental, and compliance programs, including
24 requirements set by the Pipeline and Hazardous Materials
25 Safety Administration (PHMSA), an agency of the Department of

1 Transportation.

2

3 **Q.** Please provide a brief outline of your educational background
4 and business experience.

5

6 **A.** I received my Bachelor of Science degree, with a concentration
7 in Accounting, and my Master of Accountancy degree from the
8 College of Business Administration at the University of South
9 Florida. Prior to my current position, my role was Director,
10 Pipeline Safety & Operational Services, where my
11 responsibilities included technical training, compliance,
12 standards & technical services, and employee and contractor
13 safety. I have also previously served as the Director of
14 Internal Audit for TECO Energy. I am a Certified Public
15 Accountant in the State of Florida.

16

17 **Q.** Did you file direct testimony in this proceeding?

18

19 **A.** No. However, since we filed our direct testimony on April 4,
20 2023, a regulatory policy question has arisen. That kind of
21 issue falls within the scope of my responsibilities at
22 Peoples, so I am submitting this rebuttal testimony.

23

24 **Q.** What are the purposes of your rebuttal testimony?

25

1 **A.** The purpose of my rebuttal testimony is to explain why all
2 three of the company's proposed renewable natural gas ("RNG")
3 projects should be included as part of the company's regulated
4 operations ("above-the-line") in this proceeding.

5
6 **Q.** Has any party proposed that the company's three proposed RNG
7 projects be excluded from the company's regulated operation
8 ("below-the-line") in this proceeding?

9
10 **A.** No, not at this time; however, Office of Public Counsel
11 ("OPC") witness Lane Kollen has proposed an adjustment that
12 would remove the net revenue requirement impact of the
13 company's three proposed RNG projects from the calculation of
14 the company's proposed 2024 revenue requirement. Witness
15 Kollen states that his proposed RNG adjustment only applies
16 "if the Commission allows the RNG investment and expense above
17 the line..."

18
19 His testimony further indicates that OPC intends to address
20 at the hearing and in its brief whether the company's proposed
21 RNG projects should be included above-the-line for ratemaking
22 purposes as proposed by Peoples.

23
24 My rebuttal testimony is intended to persuade both OPC and
25 the Commission to support Peoples' proposal and leave its

1 three proposed RNG projects - two of which were planned and
2 executed in accordance with Peoples' RNG tariff - above the
3 line (i.e., regulated) for ratemaking purposes and include
4 the related revenue requirements as proposed by Peoples as
5 further discussed by witness Rachel Parsons in her rebuttal
6 testimony.

7
8 **Q.** Is Public Counsel proposing that the company's two tariffed
9 RNG projects should be accounted for below-the-line and
10 treated as unregulated projects?

11
12 **A.** It is unclear at this time. By approving our RNG tariff in
13 2017, we believe and assert the Commission made a decision
14 that projects that comply with the tariff are regulated
15 projects, and therefore should be accounted for above-the-
16 line. For OPC to argue, or for the Commission to decide
17 otherwise, would be an unprecedented departure from the way
18 the Commission has exercised its regulatory authority.

19
20 **Q.** Have you prepared an exhibit supporting your rebuttal
21 testimony?

22
23 **A.** Yes. Exhibit No. LAB-1, entitled "Rebuttal Exhibit of Luke A.
24 Buzard," was prepared by me or under my direction and
25 supervision and accompanies my rebuttal testimony. The

1 contents of my exhibit were derived from the business records
2 of the company or the records of the FPSC and the Commissions
3 of other state jurisdictions and are true and correct to the
4 best of my information and belief. My rebuttal exhibit
5 consists of the following documents:

- 6 Document No. 1 Peoples' Current RNG Tariff
- 7 Document No. 2 FPSC Order No. PSC-2017-0497-TFR-
8 GU, issued December 29, 2017,
9 Approving Peoples Gas System's RNG
10 Tariff ("Original RNG Order")
- 11 Document No. 3 2020 Proposed Changes to Peoples
12 Original RNG Tariff
- 13 Document No. 4 Excerpt from 2020 Rate Case Pre-
14 hearing Order (Issue 66 on RNG
15 Tariff modifications)
- 16 Document No. 5 Excerpts from FPSC Order No. PSC-
17 2020-0485-FOF-GU, issued December
18 10, 2020 ("2020 Agreement Approval
19 Order")
- 20 Document No. 6 New River and Brightmark Assets
21 By Tariff Category
- 22 Document No. 7 Alliance Dairies CPVRR Analysis &
23 Environmental Attribute Market
24 Price
25 Break Even Analysis

1 Document No. 8 Sections 366.91 and 366.92, Florida
2 Statutes

3 Document No. 9 RNG Orders from Other States
4

5 **Q.** How will you organize your discussion of the regulatory
6 treatment of the company's three proposed RNG projects?
7

8 **A.** My discussion consists of the following sections:
9

10 I. I will start by providing an overview of the RNG
11 Market.

12 II. Then I will discuss Peoples' RNG Tariff and related
13 history.

14 III. From there, I will address how Peoples planned and
15 executed its New River and Brightmark projects to
16 comply with and in reliance on the company's RNG
17 tariff.

18 IV. I will then explain how our Alliance Dairies
19 project benefits our customers.

20 V. I will share with the Commission that there are
21 existing, already approved, RNG tariffs and
22 regulated RNG investments in other jurisdictions
23 across the US.

24 VI. Finally, I will show that all three projects are in
25 the public interest as defined by the Florida

1 Legislature, fall within Peoples' previously
2 approved RNG Tariff for Brightmark and New River,
3 and should be considered above-the-line for
4 ratemaking purposes in this case because they are
5 prudent and create value for rate payers.

6
7 **I.**

8 **RNG Market History**

9 **Q.** What is the Renewable Fuel Standard?

10
11 **A.** The Renewable Fuel Standard ("RFS") is a program administered
12 by the Environmental Protection Agency ("EPA"). The program
13 was authorized under the Energy Policy Act of 2005 and
14 expanded under the Energy Independence and Security Act of
15 2007. Congress created the RFS program to reduce greenhouse
16 gas emissions and expand the nation's renewable fuels sector
17 while reducing reliance on imported oil.

18
19 **Q.** What is the California Low Carbon Fuel Standard ("LCFS") and
20 are there any LCFS programs in other States?

21
22 **A.** California's LCFS is designed to decrease the carbon
23 intensity of California's transportation fuel pool and
24 provide an increasing range of low-carbon and renewable
25 alternatives, which reduce petroleum dependency and achieve

1 air quality benefits. California's LCFS was approved in 2009,
2 based on California Assembly Bill 32, which became law in
3 2006.

4
5 Other states with similar clean fuels programs include
6 Oregon's Clean Fuels Program established in 2009 and
7 Washington's Clean Fuels Standard in 2021. Proposed clean
8 fuel standard legislation is currently pending in Illinois,
9 New York, Massachusetts, Minnesota, New Mexico, and Vermont.

10
11 **Q.** What is the Voluntary RNG Market, and does it bundle the
12 environmental attribute and brown gas commodity value?

13
14 **A.** The Voluntary RNG market exists for RNG buyers who seek to
15 purchase RNG directly from producers. These buyers typically
16 have Environmental, Sustainability & Governance (ESG),
17 Greenhouse Gas (GHG), or other carbon reduction related goals
18 and look to offset their fuel consumption from a fuel source
19 with a lower carbon intensity.

20
21 The Voluntary RNG market typically bundles both the
22 environmental attribute and brown gas commodity value. As a
23 result, transactions done in the Voluntary RNG market
24 typically result in a total price, not like the individual
25 market price of the environmental attributes and brown gas.

1 Q. How are the RFS, LCFS, and Voluntary RNG markets relevant to
2 Peoples?

3

4 A. These programs and markets are directly relevant to Peoples
5 because they provide a well-established, growing, and viable
6 marketplace for the economic values created from RNG.

7

8 Q. What are other examples of RNG market growth?

9

10 A. On June 13, 2023, AstraZeneca announced a partnership with
11 Vanguard Renewables to enable the delivery of RNG to all its
12 sites in the United States by the end of 2026. This innovative
13 partnership is an example of the growth in the Voluntary RNG
14 marketplace. The RNG marketplace expects similar
15 announcements in the coming months and years.

16

17 Furthermore, on June 21, 2023, the EPA set D3 RIN (Renewable
18 Identification Number) Renewable Volume Obligations ("RVO")
19 for 2023, 2024 and 2025. D3 RINS are directly applicable to
20 both Landfill and Dairy RNG. In its announcement, the EPA
21 increased the RVO by over 20 percent year over year for the
22 next three years. This effectively ensures near-term
23 liquidity for RNG producers, while implying long-term
24 stability based on the EPA's view on available volumes of RNG
25 and other cellulosic biofuels combined with the renewable

1 fuel obligations of the transportation sector. In essence,
2 this announcement helps ensure the RFS will be a viable market
3 for the environmental attributes created by RNG.

4
5 In relation to the Brightmark and New River RNG Tariff-based
6 projects and investments, this information supports the
7 credit viability of these projects as the associated revenues
8 earned by the developers will supply a cash flow stream
9 sufficient to meet the fixed rates negotiated and agreed to
10 amongst the parties. The developer is obligated by contract
11 to pay the fixed monthly rate to Peoples, yet they will
12 monetize the credits produced by the facilities to support
13 the costs of the facility.

14
15 In relation to the Alliance Dairy RNG project, Peoples'
16 monetization of the available credit value will produce a
17 cash flow revenue stream to support the costs of operating
18 the facilities and a sufficient return on investment which
19 has reduced the revenue requirement requested in this rate
20 case by approximately \$233,000. As Peoples is separating
21 marketing the credits (the "green" gas) while retaining the
22 "brown gas," the molecules associated with the "brown gas"
23 (or otherwise described as the remaining physical and usable
24 gas molecules) will be supplied to Peoples' customers through
25 the Purchased Gas Adjustment ("PGA") clause at no additional

1 cost. This provisioning of the "brown gas" to the PGA not
2 only supplies usable natural gas at no commodity cost but
3 also avoids upstream transportation and other costs
4 associated with traditional geological gas, the costs of
5 which are typically charged to the PGA.
6

7 **Q.** Can you describe the growth of RNG development in recent years
8 in North America?
9

10 **A.** There are currently 281 operational RNG facilities in the
11 United States and Canada with another 476 either under
12 construction or planned. As recently as 2019, there were only
13 100 operational RNG facilities. The overwhelming majority of
14 this significant new growth is attributable to market-based
15 programs such as U.S. EPA's RFS and California's LCFS. As
16 previously stated, these markets are expanding to other
17 states and voluntary markets are evolving, so the future of
18 the value of the RNG market and RNG credits is strong.
19

20 **II.**

21 **RNG Tariff**

22 **Q.** Does the company have an RNG Tariff?
23

24 **A.** Yes. Rate schedule RNGS ("RNG Tariff") is codified in Second
25 Revised Sheet 7.404 of the company's Natural Gas Tariff on

1 file with the Commission. A copy of our RNG Tariff is included
2 as Document No. 1 of my rebuttal exhibit.

3
4 **Q.** How is Renewable Natural Gas Service ("RNG Service") defined
5 in the RNG Tariff?

6
7 **A.** RNG Service is defined in the tariff as "service to upgrade
8 or condition biogas to RNG or to provide infrastructure for
9 delivery of RNG to a pipeline system."

10
11 **Q.** What categories of customers may take RNG Service under the
12 tariff?

13
14 **A.** RNG Service is available under the tariff to "any Customer:
15 (1) upgrading/conditioning biogas to RNG to be utilized
16 onsite by the customer; (2) interconnecting to an interstate
17 or intrastate pipeline; or, (3) delivered into the company's
18 distribution system for transportation and delivery."

19
20 **Q.** What customer charges apply under the RNG Tariff?

21
22 **A.** The RNG Tariff states: "In addition to those charges provided
23 in the rate schedule pursuant to which the customer delivers
24 RNG to the company, Customer shall pay a Monthly Services
25 Charge, which shall be as mutually agreed."

1 Q. What guidance does the RNG Tariff provide on the Monthly
2 Services Charge?

3

4 A. The RNG Tariff states that the "Monthly Services Charge will
5 recover the total installed cost of such facilities, as
6 determined by the company, including a reasonable rate of
7 return on the total installed cost of such facilities, as
8 determined by company...before any adjustment for accumulated
9 depreciation, a contribution in aid of construction, etc."
10 Peoples constructed a cost of service-based rate considering
11 the capital investment, depreciation, O&M costs, and
12 appropriate return suggested by the tariff and based on
13 standard regulated rate development. OPC's suggestion of a
14 levelized (or annuitized) rate is a recognition of standard
15 rate development that is not unique to Peoples' RNG Tariff or
16 unique purely to Peoples' regulated services; most utilities
17 formulate rates on this Commission-approved fundamental
18 regulated principle.

19

20 Q. Does the RNG Tariff specify the types of facilities eligible
21 to be included in a Monthly Services Charge to be paid by an
22 RNG customer?

23

24 A. Yes. The RNG Tariff includes a non-exclusive list of
25 facilities that can be installed and recovered under an RNG

1 Monthly Services Charge. This list includes, but is not
2 limited to: "blowers, chillers, condensate removal equipment,
3 compressors, heat exchangers, driers, digesters, gas
4 constituent removal equipment, quality monitoring equipment,
5 storage vessels, controls, piping, metering, propane
6 injection, and any other related appurtenances including any
7 redundancy necessary to provide reliable RNG Service..."
8

9 **Q.** When did the Commission first approve the company's RNG
10 Tariff?
11

12 **A.** The Commission first approved the company's RNG Tariff by
13 Order No. PSC-2017-0497-TRF-GU, issued December 29, 2017, in
14 Docket No. 20170206-GU ("Original RNG Order"). A copy of this
15 order is included as Document No. 2 in my rebuttal exhibit.
16

17 **Q.** Did the Office of Public Counsel participate in Docket No.
18 20170206-GU?
19

20 **A.** I do not think so. I reviewed the document filing index for
21 this docket on the Commission's website and did not see any
22 indication that OPC participated.
23

24 **Q.** Did the Commission discuss the original RNG Tariff in its
25 order?

1 **A.** Yes. The Commission explained that the proposed RNG rate
2 schedule will allow Peoples to recover from biogas producers
3 the cost of upgrading the biogas, that the Monthly Services
4 Charge would vary based on the equipment involved and listed
5 the type of equipment eligible for recovery under an RNG
6 Monthly Services Charge.

7
8 **Q.** Was Peoples' original RNG Tariff approved in 2017
9 subsequently revised?

10
11 **A.** Yes, Peoples proposed adjustments to the RNG Tariff during
12 the 2020 base rate request to include "digesters" and other
13 appurtenances associated with the capture and conditioning of
14 RNG. Peoples' 2020 Settlement Agreement, signed by OPC and
15 the Florida Industrial Power Users Group ("FIPUG"), was
16 approved by the FPSC and authorized Peoples to conduct
17 business within the approved tariff, including the changes to
18 the RNG Tariff. Peoples negotiated and contracted with
19 Brightmark and New River within the requirements of the tariff
20 regarding availability, applicability, and the application
21 and calculation of the monthly services charge.

22
23 **Q.** Please explain.

24
25 **A.** Peoples filed a petition to increase its base rates and

1 charges on June 8, 2020, in Docket No. 20200051-GU. Peoples
2 indicated in paragraph 28 of its Petition (page 12) that it
3 was proposing to "modify the RNG, CNG, and NGVS tariffs to
4 make these services more widely available to customers ... to
5 adapt to changing market conditions."

6
7 Peoples' proposed tariff changes were shown in Minimum Filing
8 Requirement Schedule E-9, which included a redline or
9 legislative version of the company's tariff. The company's
10 proposed changes to its original RNG Tariff were included in
11 MFR E-9 on pages 45 and 46 of 99 (Bates Nos. 167as and 167at).
12 An excerpt from MFR E-9 showing the company's proposed RNG
13 Tariff changes, including the addition of digesters, is
14 included as Document No. 3 of my rebuttal exhibit.

15
16 **Q.** Was the company clear in the 2020 rate case that it proposed
17 modifying its RNG tariff to include biogas
18 capturing/collection equipment like digesters?

19
20 **A.** Yes. I reviewed the company's position on Issue 66 in
21 Prehearing Order No. PSC-2020-0394-PHO-GU, issued October 20,
22 2020, and it was included.

23
24 Issue 66 was "Are PGS's proposed revisions to its Renewable
25 Natural Gas (RNG) rate schedule appropriate?"

1 The company's position on this issue was: "Yes. The proposed
2 changes will support the development of RNG in Florida. The
3 modifications will revise and clarify the types of utilized
4 equipment, the capture of renewable natural gas [emphasis
5 added], and the ownership of natural gas. As the RNG market
6 in Florida begins to grow, there has been a broadening of the
7 types of business structures for RNG projects that were not
8 contemplated when the RNG tariff was originally added to the
9 company's tariff. Therefore, the company seeks to adjust this
10 tariff to make it applicable to the emerging business
11 structures in the RNG arena."

12
13 **Q.** Did OPC and FIPUG take a position on Issue 66?

14
15 **A.** The prehearing order shows that FIPUG opposed the proposed
16 revisions and that OPC took no position. I have included an
17 excerpt from the 2020 rate case prehearing order as Document
18 No. 4 in my rebuttal exhibit.

19
20 **Q.** Were the company's 2020 proposed changes to its RNG Tariff
21 approved by the Commission?

22
23 **A.** Yes. After the issues were identified in the company's 2020
24 rate case, Peoples, OPC, and FIPUG executed and filed a
25 Stipulation and Settlement Agreement ("2020 Agreement"),

1 which resolved all the issues in the rate case and was
2 approved by the Commission by Order No. PSC-2020-0485-FOF-
3 GU, issued December 10, 2020. Excerpts from the 2020 Agreement
4 Approval Order are included in Document No. 5 of my rebuttal
5 exhibit.

6
7 **Q.** What parts of the 2020 Agreement and 2020 Agreement Approval
8 Order do you think are relevant to the approval of the
9 company's 2020 proposed changes to its RNG Tariff?

10
11 **A.** There are several.

12
13 First, the Parties to the 2020 Agreement included a specific
14 list of "agreed to" tariff changes, which included "The
15 company's proposed revisions to its Renewable Natural Gas
16 (RNG) rate schedules. (Issue 66b)" in paragraph 3(B)(iv).

17
18 Second, on pages 3 and 4, the 2020 Agreement Approval Order
19 listed approval of "modifications to existing tariffs, as
20 proposed in its Rate Case Petition" as one of the key terms
21 of the 2020 Agreement.

22
23 Finally, in paragraph 12(a) of the 2020 Agreement, OPC, FIPUG,
24 and Peoples agreed that "this Agreement is in the public
25 interest, that they will support this Agreement and that they

1 will not request or support any order, relief, outcome, or
2 result in conflict with the terms of this Agreement in any
3 administrative or judicial proceeding relating to, reviewing,
4 or challenging the establishment, approval, adoption, or
5 implementation of this Agreement or the subject matter
6 thereof." (emphasis added).
7

8 **Q.** Why did you emphasize the language quoted above from paragraph
9 12(a) of the 2020 Agreement?
10

11 **A.** I emphasized it because, as part of this rate case, the
12 company includes rate base additions for New River and
13 Brightmark that are clearly supported by the RNG tariff. It
14 would be inconsistent, unfair, and unreasonable for OPC and
15 FIPUG to take the position that the company cannot or should
16 not implement (above-the-line) investments in rate base that
17 are allowed under an approved tariff that they agreed to as
18 part of the 2020 Agreement, especially considering the
19 emphasized language from paragraph 12(a).
20

21 **Q.** Which of the company's three proposed RNG Projects were
22 developed and executed consistent with and in reliance on the
23 RNG Tariff?
24

25 **A.** New River and Brightmark. In both cases, the customers

1 total installed cost of such facilities, as determined by the
2 company, including a reasonable rate of return on the total
3 installed cost of such facilities, as determined by company
4 ... before any adjustment for accumulated depreciation, a
5 contribution in aid of construction, etc.”
6

7 Peoples witness Rachel B. Parsons shows that the Monthly
8 Services Charges for these two projects were designed in
9 compliance with the tariff in her rebuttal testimony.
10

11 **Q.** Are the facilities owned by Peoples for the New River and
12 Brightmark RNG projects the kinds of facilities listed in the
13 company's RNG Tariff?
14

15 **A.** Yes. Document No. 6 of my rebuttal exhibit lists all the
16 equipment that Peoples owns for the two projects and shows
17 how that equipment falls into the categories of RNG facilities
18 eligible for recovery through a Monthly Services Charge in
19 the RNG Tariff.
20

21 **Q.** Has the company taken reasonable steps to protect its general
22 body of ratepayers from the risk that the New River and/or
23 Brightmark Projects will fail/default and leave the company
24 with "stranded" assets that it may seek to recover from the
25 general body of ratepayers?

1 **A.** Yes. The company performed extensive due diligence on the
2 customers for both projects before deciding to proceed and
3 then memorialized the mutually agreed to Monthly Services
4 Charges for both projects in one or more written agreements
5 that give Peoples significant legal rights in the event of a
6 default. For the Brightmark project, these legal rights
7 include the ability to collect late payment charges,
8 agreement termination rights, and parent company financial
9 guarantees. For the New River project, these legal rights
10 include reimbursement for the cost of equipment, a
11 substantial cash collateral deposit, late payment fees, and
12 the right to suspend service.

13
14 **Q.** If either of the New River or Brightmark customers defaults,
15 will the company seek to recover the undepreciated net book
16 value of the project assets from the general body of rate
17 payers?

18
19 **A.** The answer to that question depends on several factors, most
20 of which are difficult to predict at this time.

21
22 First, the Commission should not assume that a default could
23 lead to a revenue requirement burden for Peoples' ratepayers.
24 For both New River and Brightmark, a default by our current
25 customer could lead to another developer purchasing the

1 rights to the project and continuing to operate them for the
2 term of the agreements with Peoples, and in the case of a
3 default by Brightmark, Peoples would have the right to possess
4 the RNG facilities and operate them as the developer. In
5 addition, much of the equipment can be salvaged, removed, and
6 repurposed for a different RNG project or sold in a secondary
7 market in a way that would reduce the dollar amount of
8 unrecovered costs.

9
10 Second, timing matters. A default near the end of the term of
11 the agreement would leave a relatively small remaining net
12 book value and the company may not choose to pursue cost
13 recovery of a small amount. If a default occurs during a
14 settlement agreement "stay out" period, the company would be
15 precluded from seeking cost recovery during that period.
16 Likewise, if a default occurs when the company is earning
17 within its authorized range of return on equity, the company
18 would likely be precluded from seeking rate relief to recover
19 stranded RNG assets.

20
21 Finally, the amount of any potential stranded asset write-
22 off would be offset by any amounts the company could collect
23 through litigation with the defaulting party or its corporate
24 guarantors.

25

1 Q. How do you assess the risk of default and resulting stranded
2 assets for the New River and Brightmark Projects?

3

4 A. As previously described, Peoples believes we have mitigated
5 the risk to a level commensurate with, and arguably less than,
6 the risks Peoples takes whenever it installs specific
7 facilities to provide natural gas distribution services to a
8 specific customer as provided in its tariff. In those cases,
9 Peoples takes great care to mitigate risks to the general
10 body of ratepayers by performing due diligence on the customer
11 and including valuable default remedies in the customer
12 contracts. Peoples has followed these same processes with New
13 River and Brightmark, and in doing so adequately protects our
14 general body of ratepayers.

15

16 Q. Does Peoples have a history of burdening the broad body of
17 ratepayers with the pursuit of recovering stranded asset
18 costs?

19

20 A. No.

21

22

IV.

23

Alliance Dairies

24 Q. Did Peoples plan and execute the Alliance Dairies RNG project
25 under the company's RNG tariff?

1 **A.** No. The customer in this case was not interested in a business
2 arrangement based on the RNG Tariff. Rather, the customer,
3 who is a dairy farmer, preferred to focus on dairy farming
4 and looked to Peoples for assistance with a business
5 arrangement that would (1) involve Peoples in the capture and
6 conditioning of RNG from the dairy and (2) share the
7 anticipated benefits of revenue from the sale of
8 environmental attributes. For its part, Peoples recognized
9 the potential value of environmental attribute revenues to
10 the project and our general body of ratepayers, so we worked
11 with the customer to develop a different business
12 arrangement.

13
14 Our willingness to do so is consistent with the observation
15 the company made in its 2020 rate case when it noted in its
16 position on Issue 66: "As the RNG market in Florida begins to
17 grow, there has been a broadening of the types of business
18 structures for RNG projects that were not contemplated when
19 the RNG tariff was originally added. Therefore, the company
20 seeks to adjust this tariff to make it applicable to the
21 emerging business structures in the RNG arena."

22
23 **Q.** Why did the company elect to pursue this project and include
24 it on a regulated ("above-the-line") basis in the 2024 revenue
25 requirement in this case?

1 **A.** Peoples chose to pursue the Alliance project on a regulated
2 basis because we feel RNG projects are a benefit to our
3 ratepayers and to Florida. Peoples believes that it can
4 structure RNG projects to create financial value for its
5 customers while delivering significant value to the
6 environment and in this case, farmers.

7
8 As currently structured, the Alliance Dairy project delivers
9 revenues in excess of the project revenue requirement. This
10 reduces rates to our overall body of ratepayers. The structure
11 of the agreement with Alliance provides the farm with an
12 incremental revenue stream that improves the profitability of
13 the farm that supports Florida's agriculture. In addition,
14 there are numerous other benefits with reduced emissions as
15 well as job creation.

16
17 Peoples believes that RNG projects structured similarly to
18 Alliance present an opportunity to provide value to our
19 ratepayers. As we have described, RNG markets in the US
20 provide revenue opportunities for gas emitted from farms and
21 other sources and this structure returns that value to all of
22 us in Florida. As a regulated utility, Peoples seeks to
23 provide natural gas service in the most cost-effective way.
24 The Alliance project is a real example of this. It is aligned
25 with Florida's stated support for renewable energy (366.91)

1 and Peoples firmly believes this project is within our purview
2 as a regulated natural gas utility.

3
4 **Q.** Please explain those positive financial benefits.

5
6 **A.** Positive financial benefits are expected from the Alliance
7 Dairies project because the revenues that are anticipated
8 from the sale of the RNG environmental attributes will offset
9 the project's annual revenue requirement in the 2024 test
10 year and thereafter. The net revenue requirement of the
11 Alliance Dairies project in 2024 decreases the company's
12 overall revenue increase request by approximately \$233,000.
13 Peoples' witness Parsons explains this further in her
14 rebuttal testimony.

15
16 **Q.** Has the company estimated the projected cumulative present
17 value revenue requirement of the Alliance Dairies project?

18
19 **A.** Yes. Document No. 7 in my rebuttal reflects our estimate of
20 the cumulative present value revenue requirement ("CPVRR")
21 for the Alliance Dairies project. We prepared this analysis
22 using the projected annual revenue requirement for the
23 project, a conservative forecast of the environmental
24 attribute revenue expectations from the project, and a
25 discount rate equal to our proposed overall rate of return in

1 this case. The estimated CPVRR for the project is
2 approximately \$4,129,561, which is a measure of its expected
3 cost-effectiveness. We also performed a sensitivity analysis,
4 which showed that the project should provide a positive
5 financial benefit to our general body of ratepayers, if the
6 market for environmental attributes stays above approximately
7 \$47/MMBtu. Peoples believes this is a very conservative
8 threshold as the market is currently predicted to exceed this
9 amount.

10
11 **Q.** Has the company calculated the effective price of the brown
12 gas to be provided to the company's customers through the PGA
13 in 2024?

14
15 **A.** Yes. The company expects the effective price of brown gas to
16 be delivered by the Alliance Dairies project to the PGA to be
17 approximately negative \$2.28/MMBTU in 2024 considering the
18 reduction of the revenue requirement of approximately
19 \$233,000.

20
21 Additionally, considering the avoidance of paying the market
22 price for geological gas of approximately \$3.46/MMBtu, the
23 total value provided to the PGA is a negative \$5.74 per MMBtu.
24 See Document 7 of my rebuttal exhibit demonstrating these
25 prices and calculations. This is the overall 2024 total value

1 of gas when the value of the 2024 net negative revenue
2 requirement of the project is considered along with the
3 avoidance of paying the anticipated market price for
4 geologically mined natural gas to supply to the PGA.
5

6 **Q.** Has the company estimated how far the forecasted
7 environmental credit market would need to fall in 2024 for
8 the effective price of the Alliance Dairies brown gas to
9 exceed the \$3 to \$4 price range forecasted for "traditional"
10 natural gas?
11

12 **A.** Yes. This calculation is shown in Document No. 7 of my
13 rebuttal exhibit. Our calculation shows that the market price
14 for environmental attributes would have to fall below
15 forecasted levels by approximately 10 percent in 2024 (or
16 from a forecast of \$55.98/MMBtu to an actual of \$50.24/MMBtu)
17 before the projected effective price of brown gas from
18 Alliance will exceed the forecasted price of "traditional"
19 natural gas.
20

21 **Q.** Why is this effective gas analysis important?
22

23 **A.** It is important because it shows that the Alliance Dairies
24 project is cost-effective for our general body of ratepayers.
25 We think providing the brown gas from Alliance Dairies to the

1 PGA at zero cost is a significant benefit to our customers
2 that buy the gas commodity from Peoples and pay the PGA rates.
3 At the same time, we understand that the general body of
4 ratepayers would be concerned if the effective price of
5 Alliance Dairies brown gas - considering the project's
6 impacts on base rates - is expected to exceed the market price
7 customers would otherwise pay for the non-RNG natural gas
8 commodity. This analysis shows that our customers will not
9 pay more than the forecasted market price for traditional
10 natural gas, and in fact, will receive a credit to their
11 natural gas costs.

12
13 **Q.** Do you think the effective price of the brown gas from the
14 Alliance Dairies project to the PGA must be at or lower than
15 the prevailing market price of "traditional" natural gas for
16 the Commission to approve the project on a regulated basis?

17
18 **A.** No. This analysis is for illustrative purposes. Section
19 366.91(9), Florida Statutes, states: "The commission may
20 approve cost recovery by a gas public utility for contracts
21 for the purchase of renewable natural gas in which the pricing
22 provisions exceed the current market price of natural gas,
23 but which are otherwise deemed reasonable and prudent by the
24 commission."

25

1 Q. For what other reasons is the company proposing to treat the
2 Alliance Dairies project as a regulated (above-the-line)
3 project?

4
5 A. From the beginning, the Alliance Dairies project was
6 contemplated as a Peoples regulated investment in RNG
7 collection and pipeline facilities. This approach allows
8 Peoples to collect the RNG and utilize the marketable RNG
9 credits to provide value to the dairy owner and to Peoples'
10 customers, as well as to collect the operating costs and a
11 sufficient return on the investment. The dairy owner was not
12 interested in owning the collection facilities or the
13 marketing of the credits, therefore an RNG tariff-based
14 project was off the table.

15
16 During mid-2022, the Inflation Reduction Act offered new
17 incentives for RNG development, industry trends surrounding
18 RNG development were evolving, and Peoples management was
19 still evaluating and watching the various credit market
20 opportunities and risks for RNG. These evolving
21 considerations required Peoples management to continue to
22 evaluate the best structure for the Alliance Dairies project,
23 including considering an unregulated venture, where
24 investment tax credits in particular were treated differently
25 under the IRA.

1 Towards the end of the third quarter of 2022 and as annual
2 internal budget submissions were due to Emera, to be
3 conservative, Peoples management moved a portion of the
4 Alliance Dairies project, as a place holder, under Seacoast,
5 which is regulated differently than Peoples. Subsequent to
6 the budget submission, and after rigorous internal
7 evaluation, Peoples determined the value that accrues to rate
8 payers through the originally contemplated regulated
9 investment far outweighed the risks to customers and
10 justified the pursuit of the project on a regulated basis.

11
12 This approach also gives OPC and the Commission an opportunity
13 to promote the public interest by supporting and approving,
14 respectively, the Alliance Dairies project.

15
16 **V.**

17 **Other Jurisdictions and RNG**

18 **Q.** If the Commission approves the Alliance Dairies project as
19 proposed in this base rate proceeding, would this be the first
20 regulated asset investment by an LDC in the nation of RNG
21 collection, conditioning, and transport facilities?

22
23 **A.** No. On January 23, 2023, the State Corporation Commission of
24 the Commonwealth of Virginia issued a final order approving
25 Roanoke Gas Company's proposed biogas supply investment plan.

1 This plan included the investment of a digester gas
2 conditioning system, gas-carrying pipe, and other necessary
3 equipment, constructed, owned, operated, and maintained by
4 the Roanoke Gas Company, to produce RNG.

5
6 In the final order, the statements of the Hearing Examiner
7 were restated as such, "Roanoke Gas' project has the potential
8 to achieve a rare combination of increasing local fuel supply,
9 reducing greenhouse gas emissions, and increasing a utilities
10 profit while also lowering customer rates." These same
11 circumstances are present in the proposed Alliance Dairies
12 RNG project and Peoples asserts that these conditions are
13 achieving significant benefits for Peoples' customers, the
14 general public, and the utility. Please see Exhibit 9 of my
15 testimony for the final order issued by the State Corporation
16 Commission of the Commonwealth of Virginia.

17
18 **Q.** Have other jurisdictions approved regulated investments in
19 RNG?

20
21 **A.** Yes. The Arizona Corporation Commission approved in Docket
22 No. G-01551A-17-0286 and Decision No. 76589 Southwest Gas
23 Corporation's request for approval of certain modifications
24 to its Arizona Gas Tariff to allow Biogas Gathering and
25 Upgrading Service and Renewable Natural Gas Interconnection

1 and Transportation Service. Please see Document No. 9 of my
2 exhibit for Decision No. 76589 by the Arizona Corporation
3 Commission.

4
5 The Minnesota Public Utilities Commission issued a final
6 order in 2021 related to Docket No. G-008/M-20-434, approving
7 Centerpoint Energy Resources Corp.'s request for an RNG
8 Interconnection Tariff. This tariff granted Centerpoint the
9 ability to provide natural gas transportation service and
10 recover the associated costs and a return on investment.
11 Please see Document No. 9 of my exhibit for the final order by
12 the Minnesota Public Utilities Commission.

13
14 Both of these filed and approved utility requests align with
15 the New River and Brightmark projects. The respective
16 Commission Orders demonstrate the value of those tariffs very
17 similarly to the support Peoples has provided throughout the
18 initial petition for Peoples' RNG Tariff, the modifications
19 during the 2020 base rate proceeding, and what is presented
20 in this current base rate case.

21
22 **Q.** Are these examples the only examples of RNG developments
23 surrounding regulated LDC pursuits across the country?

24
25 **A.** No. Many jurisdictions are currently evaluating the way RNG's

1 value for customers, natural gas utilities, and the
2 environment should be considered under a regulatory
3 structure. The previous examples are a small representation
4 of the quickly evolving regulated market for RNG gas and RNG
5 as a provided service of a regulated LDC.

6
7 **VI.**

8 **Public Interest**

9 **Q.** Are the company's three proposed RNG projects in the public
10 interest?

11
12 **A.** Yes. The Florida Legislature has adopted legislation
13 encouraging the development of renewable energy, including
14 RNG.

15
16 Section 366.92(1), Florida Statutes, states: "It is the
17 intent of the Legislature to promote the development of
18 renewable energy; protect the economic viability of Florida's
19 existing renewable energy facilities; diversify the types of
20 fuel used to generate electricity in Florida; lessen
21 Florida's dependence on natural gas and fuel oil for the
22 production of electricity; minimize the volatility of fuel
23 costs; encourage investment within the state; improve
24 environmental conditions; and, at the same time, minimize the
25 costs of power supply to electric utilities and their

1 customers." The term "renewable energy" is defined in Section
2 366.92 to include RNG.

3
4 There is similar language in Section 366.91, Florida
5 Statutes, which defines RNG as "anaerobically generated
6 biogas, landfill gas, or wastewater treatment gas refined to
7 a methane content of 90 percent or greater which may be used
8 as a transportation fuel or for electric generation or is of
9 a quality capable of being injected into a natural gas
10 pipeline."

11
12 I've included the full text of Section 366.91 and 366.92,
13 Florida Statutes, in Document No. 8 of my rebuttal exhibit.

14
15 **Q.** Will the Commission's approval of the company's three
16 proposed RNG projects fulfill the public interest aspirations
17 for renewable energy as specified by the Legislature?

18
19 **A.** Yes. Although portions of Section 366.91 and 366.92
20 references electric generation, these statutes reflect the
21 Legislature's interest in promoting renewable energy like
22 RNG. Peoples believes that the Commission's approval of the
23 three RNG Projects on a regulated basis (above-the-line) will
24 fulfill the letter and spirit of most of the public policy
25 goals expressed in the statutes.

1 First, all three of the projects will directly or indirectly
2 help collect and condition anaerobically generated biogas
3 (Brightmark and Alliance Dairies) or landfill gas (New River)
4 and refine it to a methane content of 90 percent or more that
5 is of a quality capable of being injected into a natural gas
6 pipeline.

7
8 Second, approval of the three RNG projects on an above-the-
9 line basis will promote the development of renewable energy
10 and protect the economic viability of Florida's existing
11 renewable energy facilities.

12
13 Third, approval of the three RNG Projects will diversify the
14 state's fuel mix and lessen Florida's dependence on
15 "traditional" natural gas sourced from outside of Florida.

16
17 Finally, approval will encourage investment within the state,
18 create jobs in Florida rather than in traditional oil field
19 states, and improve environmental conditions.

20
21 Peoples asks that the Commission take this opportunity to
22 find that the company's proposed three RNG projects, two of
23 which are based on a previously approved tariff, are in the
24 public interest and approve them as regulated (above-the-
25 line) investments to be considered in the calculation of the

1 2024 revenue requirement in this case.

2

3 **Q.** Does Peoples intend to get into the business of producing
4 traditional natural gas?

5

6 **A.** No. Peoples does not have plans to own and operate traditional
7 natural gas drilling and production facilities in Florida or
8 elsewhere. RNG is produced by landfills, dairies, and
9 wastewater treatment facilities in Florida, and most of that
10 gas is vented into the atmosphere. Peoples' only interest and
11 plans are to capture and condition the RNG being produced in
12 our service territory so Florida and our customers can benefit
13 from our work.

14

15 **SUMMARY**

16 **Q.** Please summarize your rebuttal testimony.

17

18 **A.** The revenue requirement associated with the New River and
19 Brightmark projects presented in this case should be approved
20 because they were planned and executed consistent with and in
21 reliance on the company's approved RNG Tariff. The Alliance
22 Dairies project is an innovative approach to RNG that will
23 provide financial and other benefits to Peoples' general body
24 of ratepayers. Together, the three RNG projects allow Peoples
25 and the Commission an opportunity to support an evolutionary

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change in the energy markets like the Commission did in the early days of utility-scale solar electric generation.

My rebuttal testimony explains why the Commission should find that the company's proposed three RNG projects are in the public interest and approve them as regulated (above-the-line) investments to be considered in the calculation of the 2024 revenue requirement in this case. The company respectfully requests that the Commission do so.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

EXHIBIT

OF

LUKE A. BUZARD

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3	2020 Proposed Changes to Peoples' Original RNG Tariff	57
4	Excerpt from 2020 Rate Case Prehearing Order (Issue 66 on RNG Tariff modifications)	59
5	Excerpts from FPSC Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020 ("2020 Settlement Agreement")	60
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Peoples Gas System, Inc.
Original Volume No. 3

Second Revised Sheet No. 7.404
Cancels First Revised Sheet No. 7.404

**RENEWABLE NATURAL GAS SERVICE
Rate Schedule RNGS**

Availability:

Throughout the service areas of the Company.

Applicability:

Renewable Natural Gas Service ("RNG Service") is service to upgrade or condition biogas to RNG or to provide infrastructure for delivery of RNG to a pipeline system. RNG Service is available to any Customer: (1) upgrading/conditioning biogas to RNG to be utilized onsite by Customer; (2) interconnecting to an interstate or intrastate pipeline; or, (3) delivered into Company's distribution system for transportation and delivery. RNG delivered into Company's distribution system shall be subject to the applicable Rate Schedules GS-3, GS-4 or GS-5. The equipment included in the RNG Service as well as the design, location, construction, operation of such equipment under this Schedule is contingent on arrangements mutually satisfactory to the Customer and Company.

Monthly Services Charge:

RNG Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual deliveries of RNG into Company's distribution system as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer delivers RNG to Company, Customer shall pay a Monthly Services Charge, which shall be as mutually agreed. In the case of multiple users of the facility each user will pay a mutually agreed facility fee. If a Customer desires to phase in its deliveries of RNG into Company's system over a period of years, the Monthly Services Charge may be phased in over the term of the agreement between Customer and Company. The Monthly Services Charge will recover the total installed cost of such facilities, as determined by the Company, including a reasonable rate of return on the total installed cost of such facilities, as determined by Company, which facilities may include, but are not limited to, blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, digesters, gas constituent removal equipment, quality monitoring equipment, storage vessels, controls, piping, metering, propane injection, and any other related appurtenances including any redundancy necessary to provide reliable RNG Service, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase RNG Service for a minimum period of time, to take or pay for a minimum amount of RNG Service, to make a contribution in aid of construction, to furnish a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or to comply with other provisions as determined appropriate by the Company.

The Company's provision of RNG Service does not include the provision of electricity, natural gas, or any other fuels required to operate the Company's facilities or to be added to the RNG produced by or transported for Customer.

Issued By: Helen J. Wesley, President & CEO

Effective: January 9, 2023

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of tariff modifications to accommodate receipt and transportation of renewable natural gas from customers, by Peoples Gas System.

DOCKET NO. 20170206-GU
ORDER NO. PSC-2017-0497-TRF-GU
ISSUED: December 29, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
DONALD J. POLMANN
GARY F. CLARK

ORDER GRANTING PEOPLES GAS SYSTEM'S PETITION TO MODIFY TARIFFS
TO ACCOMMODATE THE RECEIPT AND TRANSPORT
OF RENEWABLE NATURAL GAS

BY THE COMMISSION:

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. Peoples also withdrew its proposed revisions to tariff sheet Nos. 7.101-5 and 7.101-6, as the changes were not necessary.

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PAGE 2

The proposed tariff sheets are contained in Attachment A. We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Decision

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.

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.

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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 Commission 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.

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Conclusion

After review of the company's petition and its responses to Commission staff's data request, we find that the proposed RNG program and tariff provisions are reasonable and will cover the associated cost. We therefore approve the proposed tariff modifications as revised on October 20, 2017, effective December 12, 2017.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Peoples Gas System's Petition to create Renewable Natural Gas Rates, revise its Distribution and Quality Tariffs is hereby approved. It is further

ORDERED that the new rates and the proposed tariffs revised on October 20, 2017, shall be effective from the date of this Commission's vote, December 12, 2017. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 29th day of December, 2017.

/s/ Hong Wang

HONG WANG

Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

WLT

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 19, 2018.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

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Attachment A
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Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

~~Second-Third~~ Revised Sheet No. 4.101
Cancels ~~First-Second~~ Revised Sheet No. 4.101

TECHNICAL TERMS AND ABBREVIATIONS

ABSOLUTE PRESSURE. Atmospheric pressure of 14.73 p.s.i.a. plus gauge.

APPLICATION FOR GAS SERVICE. A request for Gas Service made to the Company by a prospective Customer. Applications for residential Gas Service may be made by telephone or in person at the office of the Company. An application for any other class of Gas Service offered by Company shall be submitted to the Company in writing on the Company's standard form of Application For Gas Service.

AUTHORIZED PAYMENT AGENT. A legal entity designated by the Company as authorized to receive, on behalf of the Company, payment of bills for Gas Service rendered by Company to Customers. A third party with which a Customer may enter into a payment processing arrangement (or to which a Customer may direct that bills for Gas Service be mailed or otherwise delivered) is not an Authorized Payment Agent unless the Company has entered into an agreement with such third party to act as an Authorized Payment Agent of the Company.

BILLING PERIOD. Bills are rendered each month, based on regularly scheduled Meter readings which are approximately 30 days apart.

BIOGAS. Untreated gas produced from agricultural, animal, or municipal waste.

BRITISH THERMAL UNIT. The quantity of heat required to raise the temperature of one pound of water from 59°F. to 60°F. at a constant pressure of 14.73 p.s.i.a.

BTU. British Thermal Unit.

COMMISSION. The Florida Public Service Commission.

COMPANY. Peoples Gas System, a division of Tampa Electric Company, a Florida Corporation.

CUBIC FOOT OF GAS. For Gas delivered at the Standard Delivery Pressure, a Cubic Foot of Gas is the volume of Gas which, at the temperature and pressure existing in the Meter, occupies one cubic foot. For Gas delivered at other than the Standard Delivery Pressure, a Cubic Foot of Gas is that volume of Gas which, at a temperature of 60°F. and at Absolute Pressure of 15.09 pounds per square inch for Panama City Operating Area and 14.09 pounds per square inch for the remainder of PG&E's service territory, occupies one cubic foot.

CUSTOMER. Any person or prospective user (not limited to account holder or payor) of the Company's Gas Service, his authorized representative (builder, architect, engineer, electrical contractor, etc.), or others for whose benefit such Gas Service is or is proposed to be supplied (property owner, landlord, tenant, occupant, renter, etc.). When Gas Service is desired at more than one location, the Point of Delivery at each such location shall be considered as a separate Customer.

CUSTOMER'S INSTALLATION. All pipe, fittings, appliances and apparatus of every type (except metering, regulating and other similar equipment which remains the property of the Company) located on the Customer's side of the Point of Delivery and used in connection with or forming a part of an installation for utilizing Gas for any purpose.

FORCE MAJEURE. Any cause, whether of the kind herein enumerated or otherwise, and whether caused or occasioned by or happening on account of the act or omission of Company or Customer or any other person or concern, not reasonably within the control of the Company and which by the exercise of due diligence the Company is unable to prevent or overcome, and such causes shall include but not be limited to:

- (1) (a) in those instances where the Company, Customer or a third party is required to obtain servitudes, rights-of-way grants, permits or licenses to enable the Company to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses; and
- (b) in those instances where the Company, Customer or a third party is required to furnish

Issued By: ~~G. L. Gillette~~ T. J. Szelistowski, President
Issued On: ~~October 19, 2011~~

Effective: ~~March 13, 2012~~

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Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

~~Second-Third~~ Revised Sheet No. 4.101-1
Cancels ~~First-Second~~ Revised Sheet No. 4.101-1

TECHNICAL TERMS AND ABBREVIATIONS (Continued)

materials and supplies for the purpose of constructing or maintaining facilities or is required to secure grants or permissions from any governmental agency to enable such part to fulfill its obligations hereunder, the inability of the party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions;

- (2) a hurricane, storm, heat wave, lightning, freeze, severe weather event, earthquake or other act of God; or
- (3) fire, explosion, war, riot, labor strike, terrorism, acts of the public enemy, lockout, embargo, civil disturbance, interference or regulation by federal, state or municipal governments, injunction or other legal process or requirement.

It is understood and agreed that the settlement of strikes, lockouts or other labor difficulties shall be entirely within the discretion of the party having the difficulty.

GAS. Natural Gas or a mixture of gases suitable for fuel, delivered through the Company's distribution system, having a heating value of not less than 1,000 BTU's per cubic foot.

GAS SERVICE. The supplying of Gas (or the transportation of Gas) by the Company to a Customer.

GAS SERVICE FACILITIES. The service line, Meter, and all appurtenances thereto necessary to convey Gas from the Company's Main to the Point of Delivery and which are owned by Company.

HIGH PRESSURE. Gas delivered at any pressure above the Standard Delivery Pressure.

MAIN. The pipe and appurtenances installed in an area to convey Gas to other Mains or to service lines.

METER. Any device or instrument used to measure and indicate volumes of Gas which flow through it.

METER READING DATE. The date upon which an employee of the Company reads the Meter of a Customer for billing purposes.

NORMAL BUSINESS HOURS. 8 a.m. to 5 p.m. Monday through Friday, excluding Federal holidays.

PANAMA CITY OPERATING AREA. The Panama City Operating Area consists of those Counties and Communities identified in Section 8.

POINT OF DELIVERY. The point at which Company's Gas Service facilities are connected to the Customer's Installation, and at which the Customer assumes responsibility for further delivery and use of the Gas. In all cases, the Point of Delivery for Gas to a Customer shall be at the outlet side of the meter or regulator, if any, whichever is farther downstream. The Point of Delivery shall be determined by Company.

RESIDENTIAL. When used to modify the term "Customer," means a Customer whose use of Gas is for residential purposes, regardless of the rate schedule pursuant to which such Customer receives Gas Service provided by Company.

RNG. Renewable Natural Gas, or gas produced from agricultural, animal, or municipal or other waste that, with or without further processing, (a) has characteristics consistent with the Company's compositional and quality standards for Gas, and (b) in the sole view of the Company does not otherwise pose a hazard to inclusion in the Company's distribution lines when co-mingled with Gas.

STANDARD DELIVERY PRESSURE. The Standard Delivery Pressure for Panama City Operating Area shall be 10 inches of water column (.36 p.s.i.g.). The Standard Delivery Pressure for the remainder of PGS service territory shall be 7 inches of water column (.25 p.s.i.g.). No adjustment will be made for variations from the normal atmospheric pressure at the Customer's Meter. Gas delivered at Standard Delivery Pressure may vary from three inches to 15 inches of water column.

Issued By: ~~C. L. Gillette~~ T. J. Szelistowski, President
Issued On: ~~October 19, 2014~~ 12

Effective: ~~March 13, 2012~~

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Peoples Gas System ~~Second-Third~~ Revised Sheet No. 5.501-3
a Division of Tampa Electric Company Cancels ~~First-Second~~ Revised Sheet No. 5.501-3
Original Volume No. 3

MEASUREMENT (Continued)

- e. Unless determined to be otherwise by a gravity balance the specific gravity of the flowing Gas shall be assumed to be 0.6.
 - f. When sales or transportation volumes are metered at pressures of 10 p.s.i.g. (pounds per square inch gauge) and over, and where such volumes are also corrected for flowing temperatures other than assumed 60 degrees Fahrenheit, such volumes shall be corrected for deviations from Boyles Law by use of the appropriate supercompressibility factor.
3. Sales and Transportation Unit
- a. The sales and transportation unit of the Gas shall be the Therm, being 100,000 BTUs. The number of Therms billed to a Customer shall be determined by multiplying the number of Cubic Feet of Gas delivered at the Standard Delivery Pressure and 60 degrees Fahrenheit, by the total heating value of such gas in BTUs per cubic foot and dividing the product by 100,000.
 - b. The total heating value of the Gas delivered to the Customer shall be determined as that reported monthly by the Company's Gas transporters, provided such value is applicable to the Gas delivered to the Customer, or such value shall be determined by the Company by use of a calorimeter or other instrument suitable for heating value determination. The total heating value shall be corrected to and expressed as that contained in the Unit of Sales and Transportation Volume defined above.
4. Quality
- All Gas delivered or caused to be delivered into the Company's facilities shall conform to the Gas quality specifications set forth in the FERC ~~or FPSC~~ Tariff of the ~~interstate~~ pipeline company that delivers such Gas to a Delivery Point on the Company's system or in the event Gas is delivered to the Company's facilities other than by a ~~an interstate~~ pipeline ~~company~~, such Gas shall be merchantable and
- a. be free of objectionable liquids and solids and be commercially free from dust, gums, gum-forming constituents, or other liquid or solid matter which might become separated from the Gas in the course of transportation through the interstate ~~or intrastate~~ pipeline or the Company's system or which could cause inaccurate measurement;
 - b. be free from noxious and harmful fumes when burned in a properly designed and adjusted burner;
 - c. not contain more than 20 grains of total sulfur or 0.25 grains of hydrogen sulfide per 100 cubic feet of Gas;
 - d. not contain more than 3% by volume of carbon dioxide or nitrogen;

Issued By: ~~William N. Centrell~~ T. J. Szelistowski, President
Issued On: ~~May 10, 2000~~

Effective: ~~June 18, 2000~~

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First Revised Sheet No. 5.501-4
~~Original Cancels Original~~ Sheet No. 5.501-4

MEASUREMENT (Continued)

- e. not contain more than 1% by volume of oxygen;
- f. not contain more than 7 pounds of water per 1,000 MCF;
- g. have a temperature of not more than 120 degrees Fahrenheit, nor less than 40 degrees Fahrenheit;
- h. have a maximum Wobbe value of 1,396
- i. have a gross heating value of at least 1,000 BTU per ~~cubit-cubic~~ cubic foot of dry Gas but not higher than 1,075 BTU per cubic foot of dry Gas at 60 degrees Fahrenheit and at a pressure of 14.73 pounds per square inch absolute.

To the extent within its control, the Company shall deliver Gas which is free of dangerous or objectionable quantities of impurities such as hydrogen sulfide or other impurities which may cause excessive corrosion of Mains or piping or from noxious or harmful fumes when burned in a properly designed and adjusted burner. This provision is intended to protect the health and safety of the public and in no manner does it guarantee compatibility with the operation of delicate or sensitive machinery, instruments, or other types of apparatus which may be damaged by moisture, grit, chemicals or other foreign substances which may be present in the Gas but which are nevertheless within limits recognized as allowable in good practice.

Company, at its sole option, may refuse to accept any Gas or RNG tendered to Company by a Customer or for its account if such Gas or RNG does not meet the requirements of this paragraph 4 at the time of such tender.

Issued By: ~~William N. Control~~ T. J. Szelistowski, President
Issued On: ~~May 19, 2009~~

Effective: ~~June 18, 2009~~

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Peoples Gas System ~~Third-Fourth~~ Revised Sheet No. 7.303-2
a Division of Tampa Electric Company Cancels ~~Second-Third~~ Revised Sheet No. 7.303-2
Original Volume No. 3

**GENERAL SERVICE - 3
Rate Schedule GS-3**

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using and RNG delivered into Company's system by any Customer delivering 50,000 through 249,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS and may be eligible for transportation service under Rider ITS.

Monthly Rate:

Customer Charge: \$150.00 per month
Distribution Charge: \$0.19670 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~ T. J. Szelistowski, President Effective: ~~June 18, 2009~~
Issued On: ~~May 19, 2009~~

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Peoples Gas System ~~Third-Fourth~~ Revised Sheet No. 7.303-4
a Division of Tampa Electric Company Cancels ~~Second-Third~~ Revised Sheet No. 7.303-4
Original Volume No. 3

**GENERAL SERVICE - 4
Rate Schedule GS-4**

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using and RNG delivered into Company's system by any Customer delivering 250,000 through 499,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS or Rider ITS.

Monthly Rate:

Customer Charge: \$250.00 per month
Distribution Charge: \$0.15215 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system, the rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~ T. J. Szelistowski, President Effective: ~~June 18, 2009~~
Issued On: ~~May 19, 2009~~

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Peoples Gas System
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~~Seventh-Eighth~~ Revised Sheet No. 7.304
Cancels ~~Sixth-Seventh~~ Revised Sheet No. 7.304

**GENERAL SERVICE - 5
Rate Schedule GS-5**

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using and RNG delivered into Company's system by any Customer delivering, a minimum of 500,000 Therms per year or more at one billing location.

A Customer eligible for service under this rate schedule is eligible for transportation service under either Rider NCTS or Rider ITS.

Monthly Rate:

Customer Charge: \$300.00 per month
Distribution Charge: \$0.11321 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under either the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system, the rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~ T. J. Szelistowski, President
Issued On: ~~May 19, 2009~~ Effective: ~~June 18, 2009~~

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Peoples Gas System
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Original Sheet No. 7.404

RENEWABLE NATURAL GAS SERVICE
Rate Schedule RNGS

Availability:

Throughout the service areas of the Company.

Applicability:

For biogas conditioning/upgrading services for RNG produced by eligible Customers, to be utilized onsite by Customer, or delivered into Company's distribution system for transportation and delivery pursuant to Rate Schedules GS-3, GS-4 or GS-5 to a compressed natural gas station or other point of delivery on Company's system. Renewable Natural Gas Service ("RNG Service") under this Schedule is contingent on arrangements mutually satisfactory to the Customer and Company for the design, location, construction, and operation of conditioning facilities required for the Company's provision of RNG Service.

Monthly Services Charge:

RNG Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual deliveries of RNG into Company's distribution system as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer delivers RNG to Company, Customer shall pay a Monthly Services Charge, which shall be equal to a mutually agreed percentage multiplied by the Company's Gross Investment, as determined by the Company, in the facilities required to provide RNG Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by Company, which facilities may include but are not limited to blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, gas constituent removal equipment, quality monitoring equipment, storage vessels, controls, piping, metering, propane injection, and any other related appurtenances including any redundancy necessary to provide reliable RNG Service, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase RNG Service for a minimum period of time, to take or pay for a minimum amount of RNG Service, to make a contribution in aid of construction, to furnish a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or to comply with other provisions as determined appropriate by the Company.

The Company's provision of RNG Service does not include the provision of electricity, natural gas, or any other fuels required to operate the Company's facilities or to be added to the RNG produced by Customer. Company-provided RNG Service shall not include services related to the capturing or production of biogas or RNG. Ownership of RNG produced by Customer shall remain with Customer before, during and after Company's provision of RNG Service, and Customer shall remain solely responsible for determining the end-user of such RNG.

Issued By: T. J. Szelistowski, President
Issued On: 23

Effective:

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Peoples Gas System Original Sheet No. 7.404-1
a Division of Tampa Electric Company
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RENEWABLE NATURAL GAS SERVICE (continued)

If a Customer desires to phase in its deliveries of RNG into Company's system over a period of years the Monthly Services Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. The terms of any such phase-in shall be included in the agreement between Customer and Company.

Issued By: T. J. Szelistowski, President Effective:
Issued On:

Peoples Gas System
a Division of Tampa Electric Company
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Original-First Revised Sheet No. 7.404
Cancels Original Sheet No. 7.404

RENEWABLE NATURAL GAS SERVICE Rate Schedule RNGS

Availability:

Throughout the service areas of the Company.

Applicability:

Renewable Natural Gas Service ("RNG Service") is service to upgrade or condition biogas to RNG or to provide infrastructure for delivery of RNG to a pipeline system. RNG Service is available to any Customer: (1) For biogas upgrading/conditioning/upgrading services biogas to RNG for RNG produced by eligible Customers, to be utilized onsite by Customer; (2) interconnecting to an interstate or intrastate pipeline; or, (3) delivered into Company's distribution system for transportation and delivery. RNG delivering into Company's distribution system shall be subject to the applicable -pursuant to Rate Schedules GS-3, GS-4 or GS-5_- to a compressed natural gas station or other point of delivery on Company's system. Renewable Natural Gas Service ("RNG Service"). The equipment included in the RNG Service as well as the design, location, construction, operation of such equipment under this Schedule is contingent on arrangements mutually satisfactory to the Customer and Company. for the design, location, construction, and operation of conditioning facilities required for the Company's provision of RNG Service.

Monthly Services Charge:

RNG Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual deliveries of RNG into Company's distribution system as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer delivers RNG to Company, Customer shall pay a Monthly Services Charge, which shall be equal to as mutually agreed percentage multiplied by the Company's Gross Investment, as determined by the Company, in the facilities required to provide RNG Service to the Customer. In the case of multiple users of the facility each user will pay a mutually agreed facility fee. If a Customer desires to phase in its deliveries of RNG into Company's system over a period of years, the Monthly Services Charge may be phased in over the term of the agreement between Customer and Company. The Monthly Services Charge will recover the total installed cost of such facilities, as determined by the Company, including a reasonable rate of return on As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by Company, which facilities may include, but are not limited to, blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, digesters, gas constituent removal equipment, quality monitoring equipment, storage vessels, controls, piping, metering, propane injection, and any other related appurtenances including any redundancy necessary to provide reliable RNG Service, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase RNG Service for a minimum period of time, to take or pay for a minimum amount of RNG Service, to make a contribution in aid of construction, to furnish a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or to comply with other provisions as determined appropriate by the Company.

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Cancels Original Sheet No. 7.404

The Company's provision of RNG Service does not include the provision of electricity, natural gas, or any other fuels required to operate the Company's facilities or to be added to the RNG produced by or transported for Customer. ~~Company-provided RNG Service shall not include services related to the capturing or production of biogas or RNG. Ownership of RNG produced by Customer shall remain with Customer before, during and after Company's provision of RNG Service, and Customer shall remain solely responsible for determining the end-user of such RNG.~~

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proposed stipulation between the Company and another party or Staff as a final resolution of the issue. However, no person is authorized to state that OPC is a participant in, or party to, such a stipulation either in this docket, in an order of the Commission, or in a representation to a Court.

FIPUG: No.

STAFF: Staff has no position pending evidence adduced at the hearing.

ISSUE 66: Are PGS's proposed revisions to its Renewable Natural Gas (RNG) rate schedule appropriate?

PGS: Yes. The proposed changes will support the development of RNG in Florida. The modifications will revise and clarify the types of utilized equipment, the capture of renewable natural gas, and the ownership of renewable natural gas. As the RNG market in Florida begins to grow, there has been a broadening of the types of business structures for RNG projects that were not contemplated when the RNG tariff was originally added. Therefore, the Company seeks to adjust this tariff to make it applicable to the emerging business structures in the RNG arena.

OPC: OPC takes no position on this issue nor does it have the burden of proof related to it. Accordingly, OPC will not oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. However, no person is authorized to state that OPC is a participant in, or party to, such a stipulation either in this docket, in an order of the Commission, or in a representation to a Court.

FIPUG: No.

STAFF: Staff has no position pending evidence adduced at the hearing.

ISSUE 67: Is PGS's proposal to remove its Natural Gas Vehicle Service-1 (NGVS-1) rate schedule appropriate?

PGS: Yes. NGVS-1 has been closed to new customers since 2013 and existing customers will be shifted to the otherwise applicable rate schedule upon approval of new tariff rates.

OPC: OPC takes no position on this issue nor does it have the burden of proof related to it. Accordingly, OPC will not oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. However, no person is authorized to state that OPC is a

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System.	DOCKET NO. 20200051-GU
In re: Petition for approval of 2020 depreciation study by Peoples Gas System.	DOCKET NO. 20200166-GU
In re: Petition for approval to track, record as a regulatory asset, and defer incremental costs resulting from the COVID-19 pandemic, by Peoples Gas System.	DOCKET NO. 20200178-GU ORDER NO. PSC-2020-0485-FOF-GU ISSUED: December 10, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

APPEARANCES:

ANDREW M. BROWN and THOMAS R. FARRIOR, ESQUIRES, Macfarlane Ferguson & McMullen, P.O. Box 1531, Tampa, Florida 33601
On behalf of Peoples Gas System

J.R. KELLY, Public Counsel, CHARLES REHWINKLE and A. MIREILLE FALL-FRY, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

JON MOYLE and KAREN PUTNAL, ESQUIRES, Moyle Law Firm, The Perkins House, 118 North Gadsden Street, Tallahassee, Florida 32301.
On behalf of The Florida Industrial Power Users Group

KURT M. SCHRADER and BIANCA LHERISSON, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission

ORDER NO. PSC-2020-0485-FOF-GU
DOCKET NOS. 20200051-GU, 20200166-GU, 20200178-GU
PAGE 2

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

Advisor to the Florida Public Service Commission

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

Florida Public Service Commission General Counsel

FINAL ORDER

BY THE COMMISSION:

I. Background

On June 8, 2020, Peoples Gas System (PGS) filed a Petition for Rate Increase, along with its minimum filing requirements and supporting testimony, in Docket No. 20200051-GU (Rate Case Petition). Also, on June 8, 2020, in Docket No. 2020166-GU, Peoples filed a Petition for Approval of its 2020 Depreciation Study, pursuant to Rule 25-7.045, Florida Administrative Code (F.A.C.). By Order No. PSC-2020-0198-PCO-GU, issued on June 22, 2020, Docket Nos. 20200051-GU and 20200166-GU were consolidated for the purpose of hearing. The Office of Public Counsel (OPC) and the Florida Industrial Power Users Group (FIPUG) intervened in the consolidated dockets.

On October 22, 2020, all parties (PGS, OPC, and FIPUG) to the consolidated dockets filed a Joint Motion for Approval of Settlement Agreement. In addition to resolving all matters in the consolidated dockets (Docket Nos. 2020051-GU and 20200166-GU), the Settlement Agreement (Agreement) also included a provision for PGS to withdraw its petition in Docket No. 20200178-GU and to not file any other petition seeking deferral of COVID-19 costs during the term of the Agreement.

Docket No. 20200178-GU involves a petition by PGS for our approval to establish a regulatory asset to record costs incurred due to Coronavirus Disease 2019 (COVID-19). As part of that docket, PGS requested deferral of incremental bad debt expense and safety-related costs attributable to COVID-19. On October 27, 2020, we issued PAA Order No. PSC-2020-0408-PAA-GU (COVID-19 PAA Order) in which we approved PGS's petition to track, record as a regulatory asset, and defer incremental costs resulting from the COVID-19 pandemic. On November 17, 2020, OPC filed a petition protesting the COVID-19 PAA Order.

On November 19, 2020, we conducted a hearing to consider the Agreement, a copy of which is attached hereto as Attachment A. At this hearing, the direct testimony of PGS witnesses T.J. Szelistowski, Karen Sparkman (adopting testimony of Monica A. Whiting), Richard F. Wall, Timothy O'Connor, Richard K. Harper, PhD., Dylan D'Ascendis (adopting testimony of Robert B. Hevert), Sean P. Hillary, Valerie Strickland, Charlene M. McQuaid, Lorraine L. Cifuentes,

ORDER NO. PSC-2020-0485-FOF-GU
DOCKET NOS. 20200051-GU, 20200166-GU, 20200178-GU
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Daniel Yardley, T. Mark Whitaker, Luke Buzard, and Dane Watson; OPC witnesses David J. Garrett and Andrea Crane; and Commission Staff witnesses Intesar Terkawi and Rhonda L. Hicks were entered into the record as though read. The stipulated Comprehensive Exhibit List and corresponding exhibits were also entered into the record. Subsequently, counsel for PGS, OPC, and FIPUG made opening statements in support of the Agreement. At the conclusion of the evidentiary portion of the hearing, the Parties indicated that they were willing to waive the filing of post-hearing briefs, and we approved the Agreement, as set forth herein, by bench vote.

We have jurisdiction over this matter pursuant to Sections 366.03, 366.05, and 366.06, Florida Statutes.

II. Decision

a. Settlement Agreement Provisions

The Parties contend that the Agreement resolves all matters contained in Docket Nos. 20200051-GU, 20200166-GU, and 20200178-GU. The term of the Agreement is the three years from January 2021 through the last billing cycle of December 2023. The key terms of the Agreement, as they pertain to the issues in Docket Nos. 20200051-GU and 20200166-GU, are as follows:

- The rates proposed in the Agreement shall continue beyond December 2023, unless those rates are changed by Commission Order.
- The Agreement sets a revenue requirement increase of \$58.0 million, of which \$23.6 million is a transfer of the Cast Iron Bare Steel Rider surcharge into base rate recovery.
- The Agreement sets a return on equity midpoint of 9.90%, with a range of 8.90% to 11.00%. PGS is also allowed an equity ratio of 54.7% as a percentage of investor sources of capital.
- PGS proposes to flow back excess state accumulated deferred income taxes of approximately \$940,000 over the term of the agreement, in annual amounts determined at PGS's discretion, provided that PGS flows back the full amount by December 31, 2023.
- PGS's annual storm reserve accrual will be \$380,000 and its storm reserve target will be \$3.8 million.
- The Agreement sets new depreciation rates, effective January 1, 2021. PGS shall amortize a cumulative amount of \$34.0 million of the depreciation reserve surplus as a credit to depreciation expense, in annual amounts up to PGS's discretion, for 2020-2023.
- PGS's actual rate case expenses of no more than \$1,657,000 shall be amortized as proposed in the Rate Case Petition (3 years).

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- Nothing in the Agreement precludes PGS from filing new or revised tariffs while the Agreement is in effect, provided such requests do not increase any existing base rates or charges, with the exceptions of optional tariffs.
- PGS shall implement the cost of service study, miscellaneous service charges, new optional tariffs, and modifications to existing tariffs, as proposed in its Rate Case Petition.

Also, as part of the Agreement, PGS agreed to withdraw its petition in Docket No. 20200178-GU upon our approval of the Agreement. PGS also agreed to not file any other petition seeking deferral of COVID-19 costs during the term of the Agreement.

b. Approval of Settlement Agreement

The standard for approval of a settlement agreement is whether it is in the public interest.¹ A determination of whether a settlement is in the public interest requires a case-specific analysis based on consideration of the proposed settlement taken as a whole.²

Having carefully reviewed the Agreement, the Parties' statements at hearing, and the testimony and exhibits entered into the record, we find that, taken as a whole, the Agreement provides a reasonable resolution of the issues, provides rate certainty and stability to customers, and establishes fair, just, and reasonable rates. We also note that the revenue requirement approved herein is less than was initially requested by the utility, and that the increase to the storm reserve should help promote greater reliability to PGS's service area. We find, therefore, that the Agreement, provided as Attachment A hereto, is in the public interest, and we hereby approve it.

c. Vacating of Order in Docket No. 20200178-GU

The Agreement contains a provision that, upon our approval of said Agreement, PGS shall withdraw its petition in Docket No. 20200178-GU. In order to effectuate this provision of the Agreement, the COVID-19 PAA Order needs to be vacated. At the time of the November 19, 2020, hearing in this matter, the COVID-19 PAA Order had a pending protest filed by OPC.

¹ Sierra Club v. Brown, 243 So. 3d 903, 910-913 (Fla. 2018); Order No. PSC-13-0023-S-EI, issued on January 14, 2013, in Docket No. 120015-EI, In re: Petition for increase in rates by Florida Power & Light Company; Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket Nos. 080677-EI and 090130-EI, In re: Petition for increase in rates by Florida Power & Light Company and In re: 2009 depreciation and dismantlement study by Florida Power & Light Company; Order No. PSC-10-0398-S-EI, issued June 18, 2010, in Docket Nos. 090079-EI, 090144-EI, 090145-EI, and 100136-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc., In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc., In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc., and In re: Petition for approval of an accounting order to record a depreciation expense credit, by Progress Energy Florida, Inc.; Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

² Order No. PSC-13-0023-S-EI, at p. 7.

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Therefore, a consummating order has not been issued in that docket and the COVID-19 PAA Order has not become final.

Given the above, we hereby vacate the COVID-19 PAA Order and, with our vacation of said Order, OPC's protest is now moot. PGS's withdrawal of its petition, as provided for in the Agreement, resolves all outstanding issues in Docket No. 20200178-GU. Therefore, upon PGS filing notice of such withdrawal, Commission staff is authorized to close Docket No. 20200178-GU administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Motion for Approval of Settlement Agreement, submitted by Peoples Gas System, the Office of Public Counsel, and the Florida Industrial Power Users Group, is hereby approved, as is the Settlement Agreement attached hereto as Attachment A. It is further

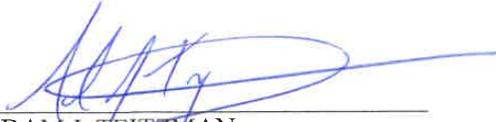
ORDERED that the stipulations, findings, and rulings herein are hereby approved. It is further

ORDERED that Docket Nos. 20200051-GU and 20200166-GU shall be closed. It is further

ORDERED that Docket No. 20200178-GU shall remain open pending PGS's withdrawal of its petition in that docket, as provided for in the Agreement. Upon such withdrawal, Commission staff is authorized to close Docket No. 20200178-GU administratively.

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By ORDER of the Florida Public Service Commission this 10th day of December, 2020.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

BYL

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Attachment A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System. Docket No. 20200051-GU
In re: Petition for approval of 2020 Depreciation study by Peoples Gas System. Docket No. 20200166-GU

STIPULATION AND SETTLEMENT AGREEMENT

THIS AGREEMENT is entered into as of the effective date by and between Peoples Gas System ("Peoples" or "the Company"), the Office of Public Counsel ("OPC"), and the Florida Industrial Power Users Group ("FIPUG"). Collectively, Peoples, OPC and FIPUG shall be referred to as the "Parties" and the term "Party" shall be the singular form of Parties. The term "Consumer Parties" shall refer collectively to OPC and FIPUG. This Stipulation and Settlement Agreement shall be referred to as the "Agreement" or the "2020 Agreement."

Recitals

On June 8, 2020, Peoples petitioned the Florida Public Service Commission ("the Commission") for an increase in its base rates and miscellaneous service charges of approximately \$85.3 million based on a 2021 projected test year. This \$85.3 million proposed rate increase included \$23.6 million of 2021 revenue requirements related to Peoples moving \$200.7 million of Cast Iron Bare Steel Rider ("CS/BSR") Investments made through December 31, 2020, into rate base to be recovered through base rates and charges. The Commission assigned the rate increase petition to Docket No. 20200051-GU.

When it filed its petition for a base rate increase, Peoples also filed a Petition for



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Approval of its 2020 Depreciation Study and its Depreciation Rate Study as of December 31, 2020. The Commission assigned the depreciation petition to Docket No. 20200166-GU.

The Commission consolidated Docket Nos. 20200051-GU and 20200166-GU on June 22, 2020, by Order No. PSC-2020-0198-PCO-GU.

OPC and FIPUG intervened in both dockets and opposed the proposed rate increase by conducting discovery, sponsoring witnesses and by other means. The Parties have filed voluminous prepared testimonies with accompanying exhibits and conducted extensive discovery.

The Parties have undertaken to resolve the issues raised in this proceeding so as to maintain a degree of stability and predictability with respect to Peoples' base rates and charges and to avoid the inherent risks, uncertainties and costs of further litigation.

The Parties have entered into this Agreement in compromise of positions taken in accord with their rights and interests under Chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties to this Agreement, each Party has agreed to concessions to the others with the expectation, intent, and understanding such that all provisions of the Agreement, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to all Parties.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants contained herein, which the Parties agree and acknowledge as constituting good and valuable consideration, the Parties hereby stipulate and agree as follows:

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1. Term.

(a) This Agreement will become effective upon Commission approval and new base rates and new charges shall be implemented on the date of the meter reading for the first billing cycle of January 2021 ("the Implementation Date") and continue at least through the date of the last billing cycle in December 2023. Except as expressly provided in paragraph 7(c), these base rates, charges and credits in effect on December 31, 2023, shall continue beyond December 2023 until otherwise changed by Commission Order. The period from the Implementation Date through the last billing cycle in December 2023 shall be referred to herein as the "Term". The Term shall be deemed extended to the extent the Company opts not to seek new base rates or elects to request new base rates, charges and credits to be effective after the date of the first billing cycle of 2024 and shall end on the date of the first billing cycle implementing rates contained in a Commission Order approving such new base rates, charges and credits. The Consumer Parties are not precluded from seeking a change in base rates, charges, and credits to be effective after the first billing cycle January 1, 2024.

(b) The Parties reserve all rights, unless such rights are expressly waived or released, under the terms of this Agreement.

2. Return on Equity, Equity Ratio and other Revenue Requirement Issues.

(a) Peoples' authorized return on common equity ("ROE") shall be within a range of 8.90% to 11.0%, with a mid-point of 9.90%. A 54.7% equity ratio from investor sources was assumed in establishing the overall rate of return shown in Section 2.(b) of this Agreement. As specifically provided in this Agreement, Peoples' authorized ROE range and mid-point using a 54.7% equity ratio (investor sources with any difference to

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actual equity ratio spread ratably over long-term and short-term debt) shall be used for all purposes during the Term, including cost recovery clauses and riders, earnings surveillance reporting, and the calculation of the Company's Allowance for Funds Used During Construction ("AFUDC") rate and associated amounts of AFUDC.

(b) The calculation of the overall rate of return used to calculate the base rate increase in this Agreement is:

	ADJUSTED AVERAGE BALANCE (\$000s)	RATIO (%)	AVERAGE COST RATE	WEIGHTED COST
LONG TERM DEBT	\$ 502,960	32.73%	3.85	1.26
SHORT TERM DEBT	\$ 83,783	5.45%	1.15	0.06
CUSTOMER DEPOSITS	\$ 24,966	1.62%	2.54	0.04
INACTIVE DEPOSITS	\$ 132	0.01%		0.00
COMMON EQUITY	\$ 708,454	46.10%	9.90	4.57
DEFERRED INCOME TAX	\$ 216,521	14.09%		-
TAX CREDITS	\$ -	0.00%		-
TOTAL	\$ 1,536,816	100.00%		5.93

(c) The following calculation of the Company's 2021 Annual Revenue Requirement and Annual Base Revenue increase is agreed to by the Parties:

Pro Forma Rate Base	\$1,536,815,825
Required Cost of Capital	<u>5.93%</u>
Required Return	\$91,181,527
Operating Income at Present Rates	<u>\$47,771,603</u>
Operating Income Deficiency	\$43,409,924
Revenue Multiplier	<u>1.3361</u>
Required Revenue Increase	\$58,000,000
Roll in CI/BS	<u>\$23,608,583</u>
Net Revenue Increase	\$34,391,417

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(d) The Return on Equity specified in this paragraph 2 shall continue in effect until return on equity is next reset upon the conclusion of the Term, including as it may be extended pursuant to paragraph 1(a), by the Commission whether by operation of paragraph 7 or otherwise.

(e) The following provisions relevant to the Company's revenue requirement and calculation of regulated earnings for surveillance reporting purposes are agreed to by the Parties and have been reflected in the calculation of the \$58 million base rate increase as appropriate:

(i) The depreciation rates, depreciation expense and \$34 million depreciation reserve surplus amortization credit specified in paragraph 4, below.

(ii) The parent debt adjustment specified in paragraph 8 (g) below, offset by a \$2 million reduction to miscellaneous revenues.

(iii) \$200,687,200 of Cast Iron Bare Steel Rider ("CI/BSR") net book value of assets shall be rolled into adjusted rate base as of January 1, 2021, and shall be recovered through the base rate increase provided for in this Agreement. Any difference between the \$200,687,200 amount and the actual CI/BSR net book value of assets as of December 31, 2020, will be reflected as a debit or credit balance in the beginning of period amount for the January 2021 to December 2021 period in determining the year 2021 CI/BSR return on capital investments, depreciation and taxes for eligible replacements. This true up process will be completed through the Company's normal CI/BSR annual filing expected to be completed in September 2021.

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(iv) Storm cost recovery payroll expense shall be recorded in accordance with the final Gas Utility storm cost recovery rule, 25-7.0413, Florida Administrative Code, and the incremental cost methodology addendum Peoples and OPC agreed to in the storm cost settlement agreement reached in Docket No. 20190109-GU.

(v) Manufactured Gas Plant environmental remediation annual amortization expense shall be \$1.0 million.

(vi) The Company's annual storm reserve accrual shall be \$380,000 and its storm reserve target shall be \$3.8 million.

(vii) The Company shall use reserve accounting treatment for Transmission Integrity Management Program ("TIMP") costs and record an annual expense accrual of \$1,437,475. Any difference between the actual cumulative spending and cumulative expense accrual will be reflected as a regulatory asset or liability, as appropriate.

(viii) The Company shall record non-capitalizable ~~software~~ implementation costs as a regulatory asset and amortize the costs over a five-year period.

(ix) The Company may flowback excess state accumulated deferred income taxes of approximately \$940,000 over the Term of the Agreement in annual amounts determined at the discretion of Peoples as long as the full amount is flowed back by end of Term.

3. Customer Rates.

(a) Upon the Implementation Date and effective with the date of the first meter

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reading for the first billing cycle of January 2021, Peoples shall be authorized to increase its base rates and service charges by \$58.0 million of annual revenues, including the revenue requirement of \$23,608,583 for the CI/BSR projects that are currently being recovered from customers, for a net increase of \$34,391,417. The new base rates and charges authorized in this Agreement shall be calculated using the cost of service study, revenue class allocations and rate design methodology as filed by the Company on June 8, 2020, and based on the projected 2021 test year billing determinants reflected in the Minimum Filing Requirements ("MFRs") filed with the company's June 8, 2020, petition in this proceeding. A summary of the new customer and per therm charges authorized by this Agreement are shown on Exhibit A.

(b) In addition to the new base rates and charges specified herein, the following additional tariff items are agreed to by the Parties and shall be reflected as filed by the company on June 8, 2020, in the company's revised tariffs:

- (i) The Company's proposed miscellaneous service charges. (Issue 62)
- (ii) The Company's proposed revisions to the MACC. (Issue 63)
- (iii) The Company's proposed revisions to its counties and communities tariff maps. (Issue 64)
- (iv) The Company's proposed revisions to its Renewable Natural Gas (RNG) rate schedules. (Issue 66b)
- (v) Deletion of the Company's NGVS-1 rate schedule. (Issue 67).
- (vi) The Company's proposed revision to its NGVS-2 rate schedule. (Issue 68)
- (vii) The Company's proposed revisions to its Individual Transportation

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Service Rider (Rider ITS). (Issue 69)

(viii) The miscellaneous tariff wording changes included in the proposed tariffs included with the Company's initial filing.

(c) The clean and red-line versions of the tariff sheets attached hereto as **Exhibit B** have been prepared in accordance with paragraphs 3(a) and 3(b) and shall become effective for meters read for the first billing cycle in January 2021.

(d) The base rates, charges and credits set in accordance with this Agreement shall not be changed during the Term except as otherwise expressly permitted or provided for in this Agreement and shall continue in effect until next reset by the Commission.

(e) To the extent that any of Peoples' cost recovery clauses or riders are impacted by changes in rate design, billing determinants, or Authorized Return on Equity during the Term, such changes shall be reflected in the affected clauses or riders as of the date of the meter readings for the first billing cycle of January in the year following the year in which the change occurs.

(f) The provisions of this paragraph 3 shall remain in effect during the Term except as otherwise expressly permitted or provided for in this Agreement and shall continue in effect until the Company's base rates are next reset by the Commission.

4. Depreciation Rates, Depreciation Expense, and \$34 million Depreciation Reserve Surplus Amortization Credit.

(a) The Company's new depreciation rates shall be as shown on **Exhibit C** to this Agreement, shall become effective on January 1, 2021, and shall remain in effect until changed by the Commission. Peoples may not propose changes to the depreciation

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Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

First Revised Sheet No. 7.404
Cancels Original Sheet No. 7.404

**RENEWABLE NATURAL GAS SERVICE
Rate Schedule RNGS**

Availability:

Throughout the service areas of the Company.

Applicability:

Renewable Natural Gas Service ("RNG Service") is service to upgrade or condition biogas to RNG or to provide infrastructure for delivery of RNG to a pipeline system. RNG Service is available to any Customer: (1) upgrading/conditioning biogas to RNG to be utilized onsite by Customer; (2) interconnecting to an interstate or intrastate pipeline; or, (3) delivered into Company's distribution system for transportation and delivery. RNG delivering into Company's distribution system shall be subject to the applicable Rate Schedules GS-3, GS-4 or GS-5. The equipment included in the RNG Service as well as the design, location, construction, operation of such equipment under this Schedule is contingent on arrangements mutually satisfactory to the Customer and Company.

Monthly Services Charge:

RNG Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual deliveries of RNG into Company's distribution system as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer delivers RNG to Company, Customer shall pay a Monthly Services Charge, which shall be as mutually agreed. In the case of multiple users of the facility each user will pay a mutually agreed facility fee. If a Customer desires to phase in its deliveries of RNG into Company's system over a period of years, the Monthly Services Charge may be phased in over the term of the agreement between Customer and Company. The Monthly Services Charge will recover the total installed cost of such facilities, as determined by the Company, including a reasonable rate of return on the total installed cost of such facilities, as determined by Company, which facilities may include, but are not limited to, blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, digesters, gas constituent removal equipment, quality monitoring equipment, storage vessels, controls, piping, metering, propane injection, and any other related appurtenances including any redundancy necessary to provide reliable RNG Service, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase RNG Service for a minimum period of time, to take or pay for a minimum amount of RNG Service, to make a contribution in aid of construction, to furnish a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or to comply with other provisions as determined appropriate by the Company.

The Company's provision of RNG Service does not include the provision of electricity, natural gas, or any other fuels required to operate the Company's facilities or to be added to the RNG produced by or transported for Customer.

Issued By: T. J. Szelistowski, President
Issued On:

Effective:

Document Number 6

Asset	Dollars	Correlation to Tariff
BRIGHTMARK		
Feedstock Reception, Preprocessing, Storage and Feed Eq	██████████	Other related appurtenances including any redundancy
Anaerobic Digestion Equipment & Controls	██████████	Digesters / quality monitoring equipment
Digestate Dewatering and Drying Equipment	██████████	Driers and other related appurtenances including any redundancy
Electrical & Controls (SCADA)	██████████	Quality monitoring equipment
Biogas Conditioning, Upgrade and Flare Control	██████████	Blowers / Chillers / Condensate Removal equipment / Heat exchangers / driers / gas constituent removal equipment / other related appurtenances including any redundancy
Biogas Pipeline	██████████	Piping
RNG Pipeline	██████████	Piping
Total	\$43,145,503	
NEW RIVER		
Steel pipeline extension	██████████	Piping & other appurtenances
Interconnect Facilities	██████████	Metering, quality monitoring equipment, condensate removal equipment, controls, and other appurtenances
Total	\$7,812,333	

Alliance RNG Ratepayer Value Analysis																				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Gas Injection																				
Volume of Gas produced per day (MMBtu)	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Annual Volume (MMBtu) - planned outage adjusted	76,893	102,284	99,936	102,004	101,475	100,216	102,149	102,004	99,936	100,023	102,004	99,936	102,149	102,284	102,284	102,284	102,284	102,284	102,284	102,284
Revenue Requirement																				
Annual Revenue Requirement (\$)																				
Projected Revenue																				
Revenue Requirement - Excess/(Deficiency)	(1,093,993)	233,414	452,512	682,249	564,024	681,712	760,426	670,676	545,272	(176,553)	701,897	565,839	730,922	736,315	684,670	658,660	631,429	602,951	573,203	542,156
Present Value of Excess/(Deficiency)	\$4,129,561																			
Discount Rate ¹	7.42%																			
Gas price implied by Excess/Deficiency	\$ 14.23	\$ (2.28)	\$ (4.53)	\$ (6.69)	\$ (5.56)	\$ (6.80)	\$ (7.44)	\$ (6.57)	\$ (5.46)	\$ 1.77	\$ (6.88)	\$ (5.66)	\$ (7.16)	\$ (7.20)	\$ (6.69)	\$ (6.44)	\$ (6.17)	\$ (5.89)	\$ (5.60)	\$ (5.30)
EA Pricing																				
PGS EA price forecast (\$/MMBtu)																				
Average EA Price 2022																				
PGS EA price forecast discount to 2022 Price																				
Natural Gas Pricing																				
Forward price of FTG Z3 (Gas Commodity) ²	\$ 2.80	\$ 3.46	\$ 3.84	\$ 4.03	\$ 3.98	\$ 3.92	\$ 3.93	\$ 3.94	\$ 3.95	\$ 3.88	\$ 4.01	\$ 4.14	\$ 4.29	\$ 4.29	\$ 4.29	\$ 4.29	\$ 4.29	\$ 4.29	\$ 4.29	\$ 4.29
Implied price of Gas offered to customers	\$ 223,363	\$ 354,117	\$ 398,630	\$ 410,976	\$ 403,406	\$ 392,378	\$ 401,410	\$ 402,016	\$ 394,271	\$ 397,968	\$ 409,224	\$ 413,242	\$ 437,750	\$ 438,331	\$ 438,331	\$ 438,331	\$ 438,331	\$ 438,331	\$ 438,331	\$ 438,331
Present Value of Free Gas																				
Discount Rate	\$4,002,021																			
	7.42%																			
Breakeven Analysis																				
Implied EA price to cover revenue requirement (\$/MMBtu)																				
Breakeven price premium/discount to PGS' EA price forecast																				
Breakeven price premium/discount to 2022 Price																				
Sensitivity Analysis - Downside																				
Projected Revenue - 10% reduction in Forecasted EA Price																				
Revenue Requirement - Excess/(Deficiency)	(1,437,703)	(339,195)	(125,260)	84,210	(34,659)	80,848	167,068	98,147	(13,755)	(735,159)	133,157	9,544	163,239	168,810	117,164	91,155	63,924	35,446	5,697	(25,349)
Present Value of Excess/(Deficiency)																				
Discount Rate	(\$1,367,060)																			
	7.42%																			
Sensitivity Analysis - Upside																				
Projected Revenue - 10% increase in Forecasted EA Price																				
Revenue Requirement - Excess/(Deficiency)	(750,283)	806,023	1,030,283	1,260,289	1,162,708	1,262,576	1,363,784	1,242,204	1,104,289	362,052	1,270,637	1,122,134	1,296,605	1,303,620	1,252,175	1,226,165	1,196,634	1,170,456	1,140,708	1,109,661
Present Value of Excess/(Deficiency)																				
Discount Rate	(\$9,526,181)																			
	7.42%																			

Notes
 1. WACC assumes 11% ROE and forecasted borrowing rates
 2. Forward strip as at June 22, 2023

366.91 Renewable energy.—

(1) The Legislature finds that it is in the public interest to promote the development of renewable energy resources in this state. Renewable energy resources have the potential to help diversify fuel types to meet Florida's growing dependency on natural gas for electric production, minimize the volatility of fuel costs, encourage investment within the state, improve environmental conditions, and make Florida a leader in new and innovative technologies.

(2) As used in this section, the term:

(a) "Biomass" means a power source that is comprised of, but not limited to, combustible residues or gases from forest products manufacturing, waste, byproducts, or products from agricultural and orchard crops, waste or coproducts from livestock and poultry operations, waste or byproducts from food processing, urban wood waste, municipal solid waste, municipal liquid waste treatment operations, and landfill gas.

(b) "Customer-owned renewable generation" means an electric generating system located on a customer's premises that is primarily intended to offset part or all of the customer's electricity requirements with renewable energy.

(c) "Net metering" means a metering and billing methodology whereby customer-owned renewable generation is allowed to offset the customer's electricity consumption on site.

(d) "Renewable energy" means electrical energy produced from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, and hydroelectric power. The term includes the alternative energy resource, waste heat, from sulfuric acid manufacturing operations and electrical energy produced using pipeline-quality synthetic gas produced from waste petroleum coke with carbon capture and sequestration.

(3) On or before January 1, 2006, each public utility must continuously offer a purchase contract to producers of renewable energy. The commission shall establish requirements relating to the purchase of capacity and energy by public utilities from renewable energy producers and may adopt rules to administer this section. The contract shall contain payment provisions for energy and capacity which are based upon the utility's full avoided costs, as defined in s. 366.051; however, capacity payments are not required if, due to the operational characteristics of the renewable energy generator or the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit, the producer is unlikely to provide any capacity value to the utility or the electric grid during the contract term. Each contract must provide a contract term of at least 10 years. Prudent and reasonable costs associated with a renewable energy contract shall be recovered from the ratepayers of the contracting utility, without differentiation among customer classes, through the appropriate cost-recovery clause mechanism administered by the commission.

(4) On or before January 1, 2006, each municipal electric utility and rural electric cooperative whose annual sales, as of July 1, 1993, to retail customers were greater than 2,000 gigawatt hours must continuously offer a purchase contract to producers of renewable energy containing payment provisions for energy and capacity which are based upon the utility's or cooperative's full avoided costs, as determined by the governing body of the municipal utility or cooperative; however, capacity payments are not required if, due to the operational characteristics of the renewable energy generator or the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit, the producer is unlikely to provide any capacity value to the utility or the electric grid during the contract term. Each contract must provide a contract term of at least 10 years.

(5) On or before January 1, 2009, each public utility shall develop a standardized interconnection agreement and net metering program for customer-owned renewable generation. The commission shall establish requirements relating to the expedited interconnection and net metering of customer-owned renewable generation by public utilities and may adopt rules to administer this section.

(6) On or before July 1, 2009, each municipal electric utility and each rural electric cooperative that sells electricity at retail shall develop a standardized interconnection agreement and net metering program for customer-owned renewable generation. Each governing authority shall establish requirements relating to the expedited interconnection and net metering of customer-owned generation. By April 1 of each year, each municipal electric utility and rural electric cooperative utility serving retail customers shall file a report with the commission detailing customer participation in the interconnection and net metering program, including, but not limited to, the number and total capacity of interconnected generating systems and the total energy net metered in the previous year.

(7) Under the provisions of subsections (5) and (6), when a utility purchases power generated from biogas produced by the anaerobic digestion of agricultural waste, including food waste or other agricultural byproducts, net metering shall be available at a single metering point or as a part of conjunctive billing of multiple points for a customer at a single location, so long as the provision of such service and its associated charges, terms, and other conditions are not reasonably projected to result in higher cost electric service to the utility's general body of ratepayers or adversely affect the adequacy or reliability of electric service to all customers, as determined by the commission for public utilities, or as determined by the governing authority of the municipal electric utility or rural electric cooperative that serves at retail.

(8) A contracting producer of renewable energy must pay the actual costs of its interconnection with the transmission grid or distribution system.

History.—s. 1, ch. 2005-259; s. 41, ch. 2008-227; s. 16, ch. 2010-139.

366.92 Florida renewable energy policy.—

(1) It is the intent of the Legislature to promote the development of renewable energy; protect the economic viability of Florida's existing renewable energy facilities; diversify the types of fuel used to generate electricity in Florida; lessen Florida's dependence on natural gas and fuel oil for the production of electricity; minimize the volatility of fuel costs; encourage investment within the state; improve environmental conditions; and, at the same time, minimize the costs of power supply to electric utilities and their customers.

(2) As used in this section, the term:

(a) "Florida renewable energy resources" means renewable energy, as defined in s. 377.803, that is produced in Florida.

(b) "Provider" means a "utility" as defined in s. 366.8255(1)(a).

(c) "Renewable energy" means renewable energy as defined in s. 366.91(2)(d).

(d) "Renewable energy credit" or "REC" means a product that represents the unbundled, separable, renewable attribute of renewable energy produced in Florida and is equivalent to 1 megawatt-hour of electricity generated by a source of renewable energy located in Florida.

(e) "Renewable portfolio standard" or "RPS" means the minimum percentage of total annual retail electricity sales by a provider to consumers in Florida that shall be supplied by renewable energy produced in Florida.

(3) The commission shall adopt rules for a renewable portfolio standard requiring each provider to supply renewable energy to its customers directly, by procuring, or through renewable energy credits. In developing the RPS rule, the commission shall consult the Department of Environmental Protection and the Department of Agriculture and Consumer Services. The rule shall not be implemented until ratified by the Legislature. The commission shall present a draft rule for legislative consideration by February 1, 2009.

(a) In developing the rule, the commission shall evaluate the current and forecasted levelized cost in cents per kilowatt hour through 2020 and current and forecasted installed capacity in kilowatts for each renewable energy generation method through 2020.

(b) The commission's rule:

1. Shall include methods of managing the cost of compliance with the renewable portfolio standard, whether through direct supply or procurement of renewable power or through the purchase of renewable energy credits. The commission shall have rulemaking authority for providing annual cost recovery and incentive-based adjustments to authorized rates of return on common equity to providers to incentivize renewable energy. Notwithstanding s. 366.91(3) and (4), upon the ratification of the rules developed pursuant to this subsection, the commission may approve projects and power sales agreements with renewable power producers and the sale of renewable energy credits needed to comply with the renewable portfolio standard. In the event of any conflict, this subparagraph shall

supersede s. 366.91(3) and (4). However, nothing in this section shall alter the obligation of each public utility to continuously offer a purchase contract to producers of renewable energy.

2. Shall provide for appropriate compliance measures and the conditions under which noncompliance shall be excused due to a determination by the commission that the supply of renewable energy or renewable energy credits was not adequate to satisfy the demand for such energy or that the cost of securing renewable energy or renewable energy credits was cost prohibitive.

3. May provide added weight to energy provided by wind and solar photovoltaic over other forms of renewable energy, whether directly supplied or procured or indirectly obtained through the purchase of renewable energy credits.

4. Shall determine an appropriate period of time for which renewable energy credits may be used for purposes of compliance with the renewable portfolio standard.

5. Shall provide for monitoring of compliance with and enforcement of the requirements of this section.

6. Shall ensure that energy credited toward compliance with the requirements of this section is not credited toward any other purpose.

7. Shall include procedures to track and account for renewable energy credits, including ownership of renewable energy credits that are derived from a customer-owned renewable energy facility as a result of any action by a customer of an electric power supplier that is independent of a program sponsored by the electric power supplier.

8. Shall provide for the conditions and options for the repeal or alteration of the rule in the event that new provisions of federal law supplant or conflict with the rule.

(c) Beginning on April 1 of the year following final adoption of the commission's renewable portfolio standard rule, each provider shall submit a report to the commission describing the steps that have been taken in the previous year and the steps that will be taken in the future to add renewable energy to the provider's energy supply portfolio. The report shall state whether the provider was in compliance with the renewable portfolio standard during the previous year and how it will comply with the renewable portfolio standard in the upcoming year.

(4) In order to demonstrate the feasibility and viability of clean energy systems, the commission shall provide for full cost recovery under the environmental cost-recovery clause of all reasonable and prudent costs incurred by a provider for renewable energy projects that are zero greenhouse gas emitting at the point of generation, up to a total of 110 megawatts statewide, and for which the provider has secured necessary land, zoning permits, and transmission rights within the state. Such costs shall be deemed reasonable and prudent for purposes of cost recovery so long as the provider has used reasonable and customary industry practices in the design, procurement, and construction of the project in a cost-effective manner appropriate to the location of the facility. The provider shall report to the commission as part of the cost-recovery proceedings the construction costs, in-service costs,

operating and maintenance costs, hourly energy production of the renewable energy project, and any other information deemed relevant by the commission. Any provider constructing a clean energy facility pursuant to this section shall file for cost recovery no later than July 1, 2009.

(5) Each municipal electric utility and rural electric cooperative shall develop standards for the promotion, encouragement, and expansion of the use of renewable energy resources and energy conservation and efficiency measures. On or before April 1, 2009, and annually thereafter, each municipal electric utility and electric cooperative shall submit to the commission a report that identifies such standards.

(6) Nothing in this section shall be construed to impede or impair terms and conditions of existing contracts.

(7) The commission may adopt rules to administer and implement the provisions of this section.

History.—s. 18, ch. 2006-230; s. 42, ch. 2008-227; s. 504, ch. 2011-142.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
Valerie Means
Matthew Schuerger
Joseph K. Sullivan
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition by CenterPoint
Energy (CPE) to Introduce a Renewable
Natural Gas Interconnection Tariff

ISSUE DATE: January 26, 2021

DOCKET NO. G-008/M-20-434

ORDER APPROVING RENEWABLE
NATURAL GAS INTERCONNECTION
FRAMEWORK AND TARIFF WITH
MODIFICATIONS

PROCEDURAL HISTORY

On April 23, 2020, CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint or CPE) filed a petition to approve new standards whereby producers of renewable natural gas (RNG) would interconnect with its system, permitting the gas to be distributed to consumers (RNG Interconnection Petition).

By November 17, 2020, the Commission had variously received comments, reply comments, and supplemental comments from –

- American Biogas;
- Amp Americas;
- Agricultural Utilization Research Institute (AURI);
- The Bioeconomy Coalition of Minnesota;
- BioEnergy DevCo;
- Bluesource;
- The Center for Energy and the Environment (CEE);
- The Coalition for Renewable Natural Gas;
- CenterPoint;

- DMT Clear Gas Solutions;
- Energy Vision;
- Fresh Energy, the Minnesota Center for Environmental Advocacy, and the Sierra Club (collectively, Fresh Energy);
- ID8 RNG Development;
- Laborers International Union of North America – Laborers District Council of Minnesota and North Dakota (LIUNA);
- The Minnesota Department of Commerce (Department);
- Mississippi Watershed Management;
- Organic Waste Systems, Inc.;
- The Partnership on Waste and Energy (PWE);
- Quantalux LLC;
- REV LNG, LLC;
- Sacyr Environment USA, LLC;
- Waste Management; and
- Yorth, Inc.

On November 19, 2020, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

I. Summary

The Commission will approve CenterPoint’s petition with modifications. Among other things, the Commission will do the following:

- The Commission will decline to adopt specific gas quality standards, leaving the utility with the obligation to regulate quality consistent with its obligation to provide safe and reliable service. But the Commission will direct CenterPoint to publish its gas quality standards on its website, to update those standards according to the best available science after consulting with relevant stakeholders, and to inform the Commission as the standards evolve.

- The Commission will refine the proposed tariff language to focus exclusively on biogenic RNG, and require CenterPoint to charge an exit fee to providers that suspend RNG production and withdraw from the service before paying their share of fixed costs incurred on their behalf.
- The Commission will direct CenterPoint to propose a framework for evaluating and verifying the carbon intensity of various RNG sources, to measure whether permitting a given producer to interconnect with CenterPoint's system has the effect of reducing the emission of greenhouse gasses, to establish a threshold of carbon intensity, and to bar interconnection from RNG producers that exceed that threshold.

II. Background

A. Greenhouse Gasses

The term “greenhouse gasses” refers to gasses in the atmosphere that absorb and retain the sun’s heat much like a greenhouse does. Since the start of the Industrial Revolution, humans have emitted increasing quantities of greenhouse gasses such as carbon dioxide (CO₂ or carbon), thereby increasing the amount of heat-trapping gases in the atmosphere. This dynamic arguably imposes environmental costs by changing the climate. Acknowledging this problem, the Commission has sought to estimate the cost of carbon emissions,¹ and the Legislature declared a goal of reducing greenhouse gas emissions throughout the state.²

Natural gas (consisting mainly of methane) is a greenhouse gas. The Intergovernmental Panel on Climate Change states that methane is 84 times as potent a greenhouse gas as CO₂.³

B. Renewable Natural Gas

Landfills, livestock operations, and wastewater treatment plants amass organic material such as food waste, manure, or wastewater sludge. When this organic material decomposes—whether by natural bacteria, or in an anaerobic digester—the result is biogas, a mixture of methane, carbon dioxide, moisture, and other impurities. RNG, or biomethane, refers to biogas that has been refined to the point that it can function as a substitute for conventional natural gas. When this biogas is collected and refined in an “upgrade facility” to remove the impurities, the resulting RNG can be transported through natural gas pipelines.

¹ *In the Matter of the Further Investigation into Environmental and Socioeconomic Costs Under Minnesota Statutes Section 216B.2422, Subdivision 3*, Docket No. E-999/CI-14-643, Order Updating Environmental Cost Values (January 3, 2018).

² Minn. Stat. § 216H.02, subd. 1.

³ See comments of the Coalition for Renewable Natural Gas (June 25, 2020) at 1–2, citing “Intergovernmental Panel on Climate Change Fifth Assessment Report estimate of the Global Warming Potential of methane over a 20-year time horizon,” Myhre *et al.* 2013: Anthropogenic and Natural Radiative Forcing, in *Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. https://www.ipcc.ch/site/assets/uploads/2018/02/WGIAR5_Chapter08_FINAL.pdf. See also comments of Fresh Energy (June 25, 2020) at 4.

The collection and use of RNG may reduce the amount of greenhouse gasses emitted into the atmosphere, depending on the carbon intensity of the production feedstock and the production process. Carbon intensity refers to the total measure of greenhouse gas emissions involved in producing, distributing, and consuming a fuel; it is measured in terms of greenhouse gases emitted (calculated in comparison to CO₂ emission or its equivalent) per unit of energy produced. For example, RNG produced from landfill gas is 44 percent less carbon-intensive than conventional natural gas, and RNG produced from wastewater sludge is 77 percent less carbon-intensive than conventional natural gas.⁴ Production of RNG from food and livestock waste is considered net carbon negative because it avoids methane emissions that occur when the waste decomposes under anaerobic conditions.

Notably, RNG has been used to satisfy California's and Oregon's low-carbon fuels standard (LCFS), and the federal Renewable Fuel Standard (RFS). The LCFS sets limits on carbon emissions from vehicle fuels sold in the state, while the RFS requires a certain volume of renewable fuels to replace conventional vehicle fuels sold in the U.S. People seeking to demonstrate compliance with these systems acquire credits showing that a low-carbon or renewable fuel was used in lieu of fossil fuels. These systems also verify that each unit of RNG was produced with the environmental attributes claimed, and ensure that each credit is retired after it is claimed. The life-cycle greenhouse gas emissions of each source of RNG are taken into account for purposes of compliance and affect the monetary value of the resulting credit.⁵

However, RNG may also be used for any purpose for which conventional natural gas is used. RNG projects that do not meet the strict LCFS or RFS standards may still seek to interconnect with distribution systems.

C. Prior Dockets Addressing Renewable Natural Gas

On August 23, 2018, CenterPoint proposed a pilot "green tariff" offering to sell RNG from out-of-state sources to Minnesota customers.⁶ After considering comments, the Commission declined to approve the program as proposed but encouraged CenterPoint to work with interested stakeholders to develop a revised program.⁷

On May 20, 2020, the Commission issued a notice asking its public energy utilities to identify potential utility investments that might help the state's economy recover from the consequences

⁴ See Rebecca Gasper and Tim Searchinger, *The Production and Use of Renewable Natural Gas as a Climate Strategy in the United States*, at 18, World Resources Institute (April 2018), <https://www.wri.org/publication/renewable-natural-gas>, cited in *In the Matter of a Petition by CenterPoint Energy to Introduce a Renewable Natural Gas Pilot Program*, Docket No. G-008/M-18-547 (*RNG Pilot Program Docket*), Order Denying Petition Without Prejudice (August 29, 2019) (*RNG Pilot Program Order*) at 2–3.

⁵ Gasper and Searchinger, *supra* n. 4, at 9–10 ("RNG from dairy manure and food and green waste have the lowest carbon intensity values of any low-carbon fuel under the [LCFS] and therefore can generate the highest credit values.")

⁶ *RNG Pilot Program Docket*.

⁷ *Id.*, *RNG Pilot Program Order*.

of the COVID-19 pandemic, among other criteria.⁸ CenterPoint identified its proposed RNG Interconnection Petition as creating the opportunity for such investments.⁹

III. CenterPoint’s Proposal

A. Overview

CenterPoint’s proposed interconnection service would allow producers of RNG to interconnect to CenterPoint’s distribution system and transport their RNG to buyers. These buyers may be existing CenterPoint customers, but CenterPoint anticipates that much of the RNG would be sold to buyers who would use it as vehicle fuel to generate credits in the national RNG credit market.

CenterPoint’s petition sets forth the terms and conditions of the tariffed service, the process by which an RNG producer would connect to CenterPoint’s system, the gas quality standards the RNG producer would have to meet, and the proposed rates to be charged for the interconnection service. CenterPoint stated that it did not anticipate offering this service sooner than the spring of 2021.

According to CenterPoint, the proposed interconnection service would not affect service to its existing retail customers. First, its tariff provides for controlling the quality of the gas injected into its system, ensuring that customers will see no change in the quality of the gas they receive. Second, the tariffs are designed to fully recover the cost of the interconnection program, ensuring that existing customers will not have to subsidize this program.

CenterPoint stated that it would not own, design, or operate RNG facilities or market RNG under this tariff. However, CenterPoint notes that it expects to propose an amended “green tariff” to market RNG once it has identified a sufficient source of supply.

CenterPoint’s petition contains seven exhibits: Exhibit A—Interconnection Feasibility Study Agreement; Exhibit B—RNG Interconnection Agreement; Exhibit C—RNG Quality Standards; Exhibit D—RNG Interconnection Tariff; Exhibit E—Cost Basis for the RNG Rates; Exhibit F—CIAC Example; and Exhibit G—Other Tariff Changes.

B. Interconnection Feasibility Study Agreement (Exhibit A)

Under CenterPoint’s proposal, anyone applying to interconnect with CenterPoint’s system would have to reveal basic information such as the applicant’s location and an estimate of the quantity of RNG to be produced at the site. CenterPoint would then conduct an initial engineering review to determine whether interconnection would be feasible at that site. For example, this information would enable CenterPoint to determine whether it has sufficient capacity on that part of its system to receive the amount of gas to be produced.

⁸ See *In the Matter of an Inquiry into Utility Investment that May Assist in Minnesota’s Economic Recovery from the COVID-19 Pandemic*, Docket No. E,G-999/CI-20-492 (*COVID Docket*), Notice of Reporting Required by Utilities (May 20, 2020).

⁹ *COVID Docket*, CenterPoint compliance filing (June 17, 2020); CenterPoint compliance filing (September 15, 2020).

If a proposed project passes this initial review, the applicant would then order a full Interconnection Feasibility Study for \$7,500 to confirm the project’s feasibility and generate an Interconnection Feasibility Study Agreement. The agreement would estimate the timeline for interconnection and the cost—including the amount of the applicant’s contribution in aid of construction (CIAC).

The Interconnection Feasibility Study may find a project infeasible due to physical limitations, or because the project’s costs are out of proportion to its expected benefits. If a project is economically infeasible, CenterPoint would proceed only if the applicant paid a non-refundable contribution in aid of construction for the portion of the capital expenditure and annual operating costs not justified by expected revenues.

C. RNG Interconnection Agreement (Exhibit B)

The Interconnection Agreement describes an applicant’s obligations and requirements to receive service under the interconnection tariff, including ongoing operational requirements, the obligation to deliver certain volumes, and the obligation to comply with CenterPoint’s gas quality standards.

D. RNG Quality Standards (Exhibit C)

As part of its interconnection proposal, CenterPoint would require an applicant to demonstrate that the gas it proposed to insert into CenterPoint’s system would be a viable substitute for conventional natural gas. This includes removing impurities that might harm the pipeline or customer appliances, and ensuring that the gas has the same energy content as conventional gas so that it can serve as a substitute for that gas. Accordingly, CenterPoint proposes not only substantive standards the RNG must meet, but the process by which the applicant must demonstrate compliance.

E. RNG Interconnection Tariff (Exhibit D) and Supporting Financial Analysis (Exhibits E and F)

Applicants that successfully interconnect with CenterPoint’s system would then pay CenterPoint to transport the applicant’s gas to the applicant’s customers. The RNG Interconnection Service Tariff sets forth the relevant terms and conditions. Specifically, RNG interconnection customers would commit to providing gas for at least one year, paying the following rates:

Monthly Basic Charge:	\$7,500
Per Therm Rate:	\$0.1500

Exhibits E and F set forth CenterPoint’s calculations justifying its various charges, noting that the charges are designed to fully recover the program’s costs. Generally, the tariff’s terms track the terms that CenterPoint establishes for its existing transportation customers, but with additional requirements to ensure the gas standards are being met and that CenterPoint can accept the quantities of RNG being produced. CenterPoint clarifies, however, that it may need to revise these terms as it gains experience with providing this service.

F. Other Tariff Changes (Exhibit G)

In support of its proposed RNG Interconnect Service, CenterPoint proposes minor conforming changes to other tariff provisions. For example, CenterPoint proposes to modify the table of contents in its Gas Rate Book to list the new service, and supplement and revise the list of technical terms and abbreviations.

IV. General Positions of Commenters

Most commenters support CenterPoint’s petition—albeit some with reservations. Fresh Energy was the sole commenter to ask the Commission to refrain from approving the petition.

The Department recommends approval subject to several modifications.

Several RNG developers, producers, and potential customers raise issues with CenterPoint’s proposed rates for interconnection and argue for relaxing the gas quality standards.

Fresh Energy urges the Commission to analyze CenterPoint’s petition not merely as a proposal for interconnection, but as part of the utility’s larger entrance into the RNG market, including CenterPoint’s plans to begin buying RNG and selling it to its own retail customers. When viewed from that perspective, Fresh Energy argues that CenterPoint’s proposal is underdeveloped. Although biogas and RNG are often described as clean and low-carbon natural gas alternatives, Fresh Energy warns that these fuels pose risks to human health, the climate, and the environment at large. Fresh Energy recommends that the Commission require a life-cycle carbon accounting of biogas production in the Interconnection Feasibility Study, and require CenterPoint to exclude highly carbon-intensive RNG projects.

Although CEE generally supports CenterPoint’s interconnection tariff, it also raises concerns about RNG as an alternative energy source. CEE argued that CenterPoint has not yet developed an adequate method to quantify and verify the greenhouse gas emissions of RNG from various sources. A more accurate accounting of the benefits of greenhouse gas emissions of RNG would allow Minnesota’s regulators, stakeholders, and customers to make more informed choices about this resource. Accordingly, CEE proposes a variety of conditions on the approval of CenterPoint’s petition, discussed below.

V. Analysis and Commission Action

A. Approval of CenterPoint’s RNG Interconnection Petition

No commenter to this proceeding recommends that the Commission reject CenterPoint’s petition and forbid the utility from pursuing interconnection with RNG developers and producers. All commenters recommend that the Commission approve CenterPoint’s petition in some form—except for Fresh Energy, which recommends that the Commission await further developments before acting.

Having reviewed CenterPoint’s petition and the comments, the Commission is persuaded that CenterPoint’s proposal is generally reasonable and consistent with the public interest. The record demonstrates that CenterPoint’s proposal responds to a growing demand to transport third-party gas from buyer to seller, and the proposal is designed to provide reasonable protections to

CenterPoint's system and existing ratepayers. While CEE and Fresh Energy raise concerns about the consequences of RNG for health, the environment, and the climate, the Commission will adopt conditions addressing those concerns.

Accordingly, the Commission will approve CenterPoint's petition with modifications, discussed below. In particular, the Commission will approve the Interconnection Feasibility Study Agreement (RNG Interconnection Petition, Exhibit A), the RNG Interconnection Agreement (RNG Interconnection Petition, Exhibit B), the RNG Interconnection Tariff (RNG Interconnection Petition, Exhibit D), and the miscellaneous changes to integrate CenterPoint's proposal with the rest of its tariff (RNG Interconnection Petition, Exhibit G). To implement this decision, the Commission will direct CenterPoint to file revised tariff language, and Interconnection Feasibility Study and RNG Interconnection Agreements consistent with the decisions in this order. Finally, the Commission will delegate authority to its Executive Secretary to approve CenterPoint's tariff and agreements, and to vary timelines as appropriate.

B. Interconnection Rates

1. Comparison to Transportation Alternatives

As part of their general support for CenterPoint's proposal, various commenters stated that the emergence of the RNG industry relies on finding an economic means to transport gas from producer to consumer. This is not a small problem because, as the Bioeconomy Coalition of Minnesota emphasizes, buyers and sellers are often miles apart. Thus, commenters such as Amp Americas II, LLC, Bioenergy DevCo, and Energy Vision praise CenterPoint's proposal and rates as providing a much cheaper transportation option than the alternatives—alternatives such as connecting to an interstate pipeline network, or hiring a third party to build pipelines from each producer to each customer.

2. Conservation Cost Recovery Charge

The Department noted that CenterPoint's full cost for providing an applicant's interconnection service would not be known until CenterPoint completes the engineering review as part of finalizing its Interconnection Feasibility Agreement. But the Department argues that one component of this rate is already knowable: the transportation charge. CenterPoint has already established the cost of providing transportation service on its distribution system, and assesses this charge to its interruptible transportation customers in addition to a Conservation Cost Recovery Charge (CCRC).¹⁰ The Department recommends assessing this charge to RNG interconnection customers, minus the CCRC, plus the RNG producer per therm receipt rate; this would increase the charge from \$0.15000 per therm as proposed by CenterPoint to \$0.15748 per therm. Having reviewed the matter, CenterPoint agrees to this recommendation.

Fresh Energy initially objected to removing the CCRC from the interconnection rate. But after several commenters raised arguments opposing application of the CCRC, Fresh Energy withdrew this objection.

¹⁰ Under Minn. Stat. § 216B.2401, the Legislature established goals for utilities to reduce energy consumption via Conservation Improvement Projects; utilities may recover the cost of these projects from consumers by assessing a Conservation Cost Recovery Charge.

Finding the Department's proposed modification reasonable, the Commission will approve it.

3. Distinguishing Between Large and Small RNG Projects

PWE and the RNG Coalition argue that the assumptions underlying CenterPoint's proposed tariff prices are unreasonable—especially as applied to many larger RNG projects. In particular, the RNG Coalition argues that the formula establishing the average cost to transport a therm of gas (a) largely reflects an unsupported assumption that CenterPoint will need to build three miles of new pipe for each project, and (b) includes certain costs while excluding corresponding savings.

These mismatches between actual and anticipated costs may have modest consequences for projects that expect to produce smaller amounts of RNG, or that expect to recover the higher revenues triggered by the RFS and LCFS. But for potentially large-volume projects that may not qualify for RFS or LCFS programs, PWE and the RNG Coalition argue that the mismatch may kill the project—needlessly eliminating an opportunity to provide energy, environmental, and economic benefits.

In remedy, PWE and the RNG Coalition propose that CenterPoint apply its proposed interconnection rates to smaller producers of RNG, but permit larger producers to negotiate rates that reflect the unique costs of individual projects. This might entail calculating new rates based on the actual amount of new pipe CenterPoint must install to serve the new interconnection customer—or permitting the customer to install its own pipe connecting to CenterPoint's system.

The Commission acknowledges that a utility must make assumptions when creating a tariffed rate for a new service, and inevitably these assumptions will not reflect every customer's circumstances. When the differences are small, the Commission may disregard them in the interest of promoting uniform rates. But when customers are not similarly situated, the drive to promote uniform rates may needlessly deter projects—eliminating an opportunity for environmental and economic gain, without providing offsetting benefits. For this reason, the Commission sometimes authorizes utilities to negotiate Individual Case-Based pricing with customers that have atypical opportunities and needs.

The Commission concurs with PWE and the RNG Coalition that this docket may present an appropriate opportunity for Individual-Case-Based pricing. Accordingly the Commission will direct CenterPoint, within 90 days of its RNG Interconnection Tariff taking effect, to file a report exploring the possibility of segmenting the market between small and large customers, and the practicability of Individual-Case-Based pricing for large customers. The report must include the costs and revenues of each interconnecting customer to date.

C. Regulation of Gas Quality to Ensure Safe and Reliable Service

CenterPoint argues that it must regulate the quality of the gas that developers and producers provide through interconnection in order to fulfill its duty to maintain safe and reliable service, and to avoid causing needless harm to the plant and appliances of the utility and its retail customers. To this end, CenterPoint asks the Commission to approve its proposed service quality standards set forth in its petition at Exhibit C, largely based on California's LCFS. While the standards set forth many technical specifications, CenterPoint cautions the Commission and all parties against placing undue reliance on these details: CenterPoint expects these standards to

change as the industry—and CenterPoint specifically—gains more experience. CenterPoint proposes to retain discretion to relax certain standards on a case-by-case basis to address the unique circumstances of each RNG project.

While no commenter disputes CenterPoint’s legitimate interest in regulating gas quality, many disagree about the strictness of some of CenterPoint’s standards. Many commenters representing the interests of potential developers and providers argue that CenterPoint’s proposed standards are needlessly restrictive. On the other hand, Fresh Energy objects to CenterPoint’s proposal to retain discretion to flex its gas quality standards, arguing that a failure to enforce rigorous quality standards could pose a risk to public health, public safety, and the environment.

In addition to these concerns, the Department recommends that the Commission bar CenterPoint from receiving RNG derived from hazardous waste landfills. CenterPoint accepted this recommendation, as well as some of the requests to relax its proposed gas quality standards.

Having reviewed CenterPoint’s petition and the comments, the Commission concurs that CenterPoint is justified in controlling the quality of gas accepted into its system and provided to its customers. But the Commission has had no experience evaluating gas quality standards, and it is unclear whether there has been sufficient record development—as might arise from technical working groups, for example—to support adoption of the technical standards proposed by CenterPoint.

This fact need not impede approval of the other aspects of CenterPoint’s RNG interconnection proposal, however. In preparing its gas quality standards, CenterPoint acknowledges its duty to maintain safe and reliable service, and its disposition to proceed cautiously in evaluating sources of RNG. Under these circumstances, the Commission finds it prudent to leave CenterPoint with both the responsibility and discretion to manage its gas quality standards, consistent with its duty to maintain safe, reliable service. Therefore, in lieu of adopting the substantive technical standards of Exhibit C, the Commission will direct CenterPoint to implement the following procedures:

- Maintain on CenterPoint’s website the most up-to-date biogas quality standards and testing requirements for those injecting gas into the distribution system under CenterPoint’s RNG interconnection program.
- Convene discussions with stakeholders about its gas quality standards, and provide an annual report on the state of those discussions.
- Following consultations with stakeholders—including the Department and the Minnesota Office of Pipeline Safety—periodically update its gas quality standards according to the best available science.
- Notify the Commission when CenterPoint changes its gas quality standards.

D. Regulation of Gas Quality to Address Environmental Concerns

1. Introduction

Both Fresh Energy and CEE recommend that the Commission establish substantial conditions related to the potential environmental consequences of individual RNG projects.

2. Fresh Energy

Fresh Energy recommends that the Commission refrain from approving CenterPoint's RNG Interconnection Petition precisely because CenterPoint has not yet fully addressed issues pertaining to the purchase and sale of RNG. More broadly, Fresh Energy urges the Commission to consider all the tools available for addressing the state's energy needs while reducing greenhouse gas emissions—tools including hydrogen and electrification as well as biogas and RNG—before adopting specific policies.

According to Fresh Energy, RNG projects differ widely in their consequences for human health, the local environment, and the global climate—and policies that fail to distinguish between beneficial and pernicious projects may do more harm than good. While CenterPoint claims that RNG will reduce greenhouse gas emissions, Fresh Energy notes that CenterPoint has not proposed any accounting framework to evaluate and verify the carbon intensity of RNG or validate its effectiveness in reducing carbon emissions from natural gas systems.

Fresh Energy argues that the need to address this aspect of RNG is unavoidable, and the best opportunity to address it is before private parties develop plans and investments that may conflict with inevitable environmental regulations. And while some commenters argue that establishing standards could impede the growth of the RNG industry, Fresh Energy argues the opposite: By establishing clear standards, the Commission will give developers greater assurance to proceed with RNG projects that meet the standards.

But if the Commission ultimately elects to approve CenterPoint's petition, Fresh Energy would recommend that the Commission direct CenterPoint to do the following:

- Require CenterPoint to develop a method for accounting for the net emissions of greenhouse gasses (typically measured in terms of an equivalent amount of CO₂ emissions) for all proposed biogas production projects and facility improvements.
- File a proposal for evaluating whether an interconnecting developer or producer is "climate intensive."
- Refuse to interconnect with climate intensive RNG projects.

3. CEE

CEE both agrees and disagrees with Fresh Energy. Unlike Fresh Energy, CEE supports CenterPoint's program—yet CEE's support is contingent upon CenterPoint more fully addressing many of the same issues identified by Fresh Energy.

CEE regards CenterPoint's petition as a first step in building a local RNG market, allowing end use customers to secure fuels with less harmful consequences for the environment while also providing economic and waste management benefits. But CEE emphasizes the importance of establishing a method for quantifying and verifying the greenhouse gas emissions benefits of RNG from various sources. A more accurate accounting of the greenhouse gas benefits of renewable natural gas would allow Minnesota's regulators, stakeholders, and customers to make more informed choices about investments in this resource. Like Fresh Energy, CEE argues that the climate benefits of RNG projects vary depending on the characteristics of a project, such as feedstock, baseline methane emissions, and leakage rates.

Accordingly, CEE asks the Commission to adopt four provisions.

First, CEE asks the Commission to refine CenterPoint's tariff to clarify that it applies to *biogenic renewable natural gas*—that is, pipeline-compatible gaseous fuel that has been derived from the anaerobic biological decomposition of organic materials and has lower lifecycle carbon dioxide equivalent emissions than geological natural gas. In other words, CEE proposes that CenterPoint's RNG interconnection program exclude developers and producers of other types of natural gas, such as synthetic natural gas. And it would exclude projects that would generate more greenhouse gas emissions relative to a comparable project relying on conventional natural gas.

Second, CEE asks the Commission to require CenterPoint to promptly collect and report data on each RNG developer and producer interconnecting with its system, including the following:

- the feedstock or feedstocks of the producer,
- the total amount of RNG volumes expected to be provided by the producer,
- the mix of end-uses of the digestate,
- if known, the state(s) in which the entity or entities purchasing the RNG from the producer are located and the end-use for which the RNG is being purchased,
- methane leakage control and mitigation measures employed by the producer at the production and upgrade facility,
- an estimate of methane leakage for the producer along with a description of the methodology used to develop that estimate, and
- a lifecycle analysis of the greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer, along with a description of the methodology used to develop the lifecycle analysis.

Third, CEE asks that CenterPoint make an annual compliance filing, beginning February 1, 2022, providing updated information for all the matters listed above, along with the following:

- the total number of interconnected RNG producers supplying RNG to CenterPoint's system in the previous calendar year,
- the amount of RNG volume taken onto CenterPoint's system each year in total and from each of those producers,

- the mix of feedstock used by RNG producers connected to CenterPoint’s system and volumes provided to the system broken out by primary feedstock for the previous calendar year,
- the mix of end-uses of the digestate for each producer interconnected to CenterPoint’s system,
- the estimated methane emissions associated with the total amount of RNG received on CenterPoint’s system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions, and
- estimated lifecycle greenhouse gas emissions, including emissions associated with upgrade facilities, of the RNG received on CenterPoint’s system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on CenterPoint’s system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.

Finally, CEE recommends that the Commission and the Department use this information to evaluate future utility proposals for additional investments in RNG in Minnesota, and future program and tariff proposals for RNG in Minnesota.

4. Department

The Department emphasizes that CenterPoint’s current proposal merely pertains to interconnecting a potential new source of natural gas, and therefore focuses on ensuring that the proposal would maintain safe and adequate service—not whether the gas achieves purported benefits for the environment. The Department acknowledges the importance of these issues, but defers consideration of these issues to a future docket when CenterPoint will presumably have a new, concrete proposal to sell RNG to retail customers.

5. CenterPoint

CenterPoint expresses concern about efforts to establish carbon intensity standards as part of an interconnection tariff.

According to CenterPoint, RNG produced in the United States is generally already assessed for its carbon intensity in compliance with federal RFS or state LCFS. To require RNG developers and producers to demonstrate carbon benefits as a condition of interconnection would merely duplicate requirements that are already imposed by RNG buyers.

Further, RNG projects may have benefits beyond reducing greenhouse gas emissions. Moreover, an RNG project may change feedstocks or end uses after it is built, reducing the relevance of the initial estimate of carbon intensity.

According to CenterPoint, no other states, utilities, or pipelines require RNG developers or producers to demonstrate carbon benefits prior to interconnection, so establishing such a requirement in Minnesota might discourage RNG development here.

Finally, CenterPoint opposes the practice of imposing environmental tests on customers as a condition of service. CenterPoint has not adopted this practice for its other customers. CenterPoint suggests that other state entities—such as the Minnesota Pollution Control Agency—might more appropriately address this topic.

But if the Commission concludes that CenterPoint should investigate carbon intensity as part of this program, CenterPoint favors CEE’s proposals over Fresh Energy’s.

6. Other Parties

Finally, LIUNA and various commenters representing RNG developers and producers agree with the Department that the current docket should focus on CenterPoint’s proposal for safely conveying gas while avoiding cross-subsidies; the merits of RNG as a strategy for reducing greenhouse gasses exceeds the scope of this docket. These commenters caution that efforts to anticipate and regulate every conceivable challenge that may arise from RNG could cripple the development of this nascent technology and marketplace.

7. Commission Action

In this docket CenterPoint has proposed interconnection standards for RNG developers and producers, and has merely acknowledged the expectation of seeking to buy its own supply of RNG to sell to its retail customers. Nevertheless, commenters are in broad agreement about RNG’s potential for reducing net greenhouse gas emissions. Indeed, the most valuable use for RNG identified in the record has been as substitute vehicle fuel that offsets some of the demand for fossil fuels. Moreover, it is undisputed that RNG projects vary substantially in their net carbon intensity. Given these circumstances, the Commission sees no advantage in delaying the effort to evaluate RNG projects based on their carbon intensity.

The Commission appreciates the efforts of CEE and Fresh Energy in delineating the scope of the task before us—and will adopt many of their recommendations.

CEE’s recommendations clarify that interconnecting developers and producers must provide biogenic RNG that has lower lifecycle carbon dioxide equivalent emissions than conventional natural gas. CEE’s recommendation also facilitates Commission oversight by identifying the kinds of information that CenterPoint must provide when it accepts a new interconnection, and further facilitates oversight by providing for annual reporting on the state of CenterPoint’s new program. And finally, CEE’s language clarifies that the Commission and the Department plan to make use of this reported information not merely for purposes of the current docket, but in establishing policies regarding the emerging RNG industry in Minnesota. Accordingly, the Commission will adopt CEE’s recommendations.

More generally, both CEE and Fresh Energy emphasize the importance of establishing an accounting framework to evaluate and verify the carbon intensity of different RNG sources, and to evaluate and validate an RNG project’s effectiveness in reducing carbon emissions. And, while CenterPoint correctly notes that RNG projects can have advantages beyond reducing net greenhouse gas emissions, the Commission is persuaded that projects that exceed some threshold of carbon intensity should not qualify for interconnection. The Commission finds that it will need to address these initial benchmark standards before it can proceed to evaluate any utility proposal to market RNG to retail customers. Accordingly, the Commission will direct

CenterPoint to consult with CEE, Fresh Energy, and other interested commenters on establishing the relevant accounting framework and carbon intensity threshold, and to file its proposal within 90 days—or, in any event, before CenterPoint files its next RNG retail tariff. Given the scope of this effort, the Commission will direct CenterPoint to make this filing in a new docket.

E. Avoiding Subsidies to RNG Interconnections

1. Initial Fees

CenterPoint states that it designed the rates for its RNG interconnection program to ensure that the program would generate sufficient revenues to cover its own costs—and under some circumstances, this would entail requiring an applicant to pay its contribution in aid of construction before CenterPoint would proceed with interconnection.

The Department argues that all RNG interconnection customers should pay their entire contribution in aid of construction before CenterPoint proceeds with construction. Otherwise, CenterPoint—and potentially ratepayers—might bear the cost of plant built for an interconnection customer that later becomes stranded. Alternatively, the Department supports imposing an exit fee on any RNG producer or developer that discontinues providing RNG under the terms of its interconnection agreement before they pay for the costs of installation, operation and maintenance of the interconnection facilities.

CenterPoint does not oppose the Department’s goal of shielding retail ratepayers from the cost of investments in abandoned interconnection facilities. To that end, CenterPoint recommends tariff language establishing an exit fee, substantially similar to this:

If Customer suspends RNG production, Customer will pay an exit fee equal to the total cost of installing the RNG facilities, including main to connect to CenterPoint Energy’s distribution system, and any costs for removal of facilities—less the initially paid contribution in aid of construction; depreciation of facilities that has occurred between project inception and suspension of RNG production; and cost for infrastructure that is utilized by other customers.

CenterPoint argues that potential RNG producers and developers might be needlessly deterred if they faced the financial hurdle of bearing the full cost of contributions in aid of construction before any benefits begin to flow. The Department acknowledged this problem.

In the interest of shielding CenterPoint’s ratepayers from potentially bearing costs related to abandoned investments for RNG interconnections, the Commission will direct CenterPoint to adopt exit-fee tariff language substantially similar to the language set forth above. With this addition to CenterPoint’s tariff, the Commission finds it unnecessary to also require initial funding of all contributions in aid of construction.

2. Rebates/Incentives

To further shield retail ratepayers from subsidizing CenterPoint's RNG interconnection program, the Department asks the Commission to bar CenterPoint from seeking to recover the cost of any RNG interconnection rebates or other incentives via retail rates.

CenterPoint had no objection to this recommendation. Finding it reasonable, the Commission will approve it.

F. Affiliated Transactions

Minn. Stat. § 216B.48 and Minn. R. 7825.1900–7825.2300 generally state that when a contract or transaction between a regulated energy utility and its affiliate exceeds \$50,000 or five percent of the utility's capital, the contract or transaction requires Commission approval to become effective.

CenterPoint has at least two affiliated subsidiaries—CenterPoint Energy Intrastate Pipelines and Energy Systems Group—that might plausibly operate in conjunction with RNG developers or producers. CenterPoint stated that it would inform the Commission if it contracts with any affiliated entity regarding the interconnection of RNG.

The Department argues that Minnesota's affiliated interest laws require more than mere notice; they require an application for Commission approval. The Department therefore asked the Commission to direct CenterPoint to seek prior approval of any affiliated interest transactions involving RNG interconnections, to explain the relevance of Commission rules to such projects, and to explain how any such projects comply with the affiliated interest laws.

CenterPoint ultimately acknowledged its duty to seek Commission approval of affiliated interest transactions exceeding \$50,000, but argued that the statute does not require *prior* Commission approval—merely a timely request for approval.

The Commission concurs with the Department that CenterPoint must go beyond informing the Commission when the utility's affiliated interest becomes implicated in a project interconnecting with CenterPoint's system; CenterPoint must seek Commission approval. However, the Commission will not require CenterPoint to obtain the Commission's approval before proceeding; CenterPoint may assume the risk of proceeding with contracts or transactions that the Commission may ultimately reject. Accordingly, the Commission will direct CenterPoint, when its affiliates are or become involved in any RNG interconnection project, to do the following:

- Inform the Commission and Department.
- Explain whether any proposed interconnection project implicates Minn. Stat. § 216B.48 and Minn. R. 7825.1900–7825.2300; the relevance of the affiliated interest laws to all applicable projects; and how any transactions with its affiliates would comply.
- Seek Commission approval for those transactions that are governed by the affiliated interest laws.

G. Use of RNG at CenterPoint Fueling Station

CenterPoint has a compressed natural gas fueling station in Burnsville, Minnesota, and uses natural gas as a fuel for its own fleet of vehicles. The Department raised questions about CenterPoint’s plans regarding the use of RNG at its fueling station.

Ultimately CenterPoint agreed to seek Commission approval before engaging in any RNG transactions for its fueling station. Finding this resolution reasonable, the Commission will approve it.

H. Extension of Service

After CenterPoint implements an RNG interconnection tariff, CenterPoint will have the opportunity to build out its distribution plant both to serve new retail customers and to connect to new RNG providers. While the new distribution facilities may be identical, the ratemaking consequences of the investment may differ depending on CenterPoint’s rationale for building it.

To ensure appropriate oversight of this matter, the Department asks the Commission to require CenterPoint to track and identify all the customers it adds and their associated costs and revenues. Specifically, the Department recommends that CenterPoint track this data using the accounts, sub-accounts, and account equivalents in accordance with the Uniform System of Accounts promulgated by the Federal Energy Regulatory Commission (FERC), and CenterPoint’s charted accounts and sub-accounts from its internal accounting system. In addition, the Department recommends that CenterPoint, in its next general rate case, discuss and analyze how it categorizes its new capital investments.

CenterPoint had no objection to this recommendation. Finding it reasonable, the Commission will approve it.

I. General Oversight

In the interest of providing appropriate oversight, the Department asks the Commission to require CenterPoint to track for each RNG interconnection project –

- the actual costs of each interconnection project for each RNG producer and developer that CenterPoint interconnects with, and
- the total RNG received from each RNG producer and developer, in dekatherms (Dths).

CenterPoint had no objection to this recommendation. Finding it reasonable, the Commission will approve it.

J. Economic Development

As previously noted, CenterPoint identified its RNG interconnection proposal as an investment opportunity that might help the state emerge from the economic slump associated with the COVID-19 pandemic. Specifically, CenterPoint identified this docket as one that might –

- Provide significant utility system benefits;
- [Be] consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders;
- Reduce carbon or other pollutant emissions in the power sector or across economic sectors;
- Increase access to conservation and clean energy resources for Minnesotans;
- Create jobs or otherwise assist in economic recovery for Minnesotans; and
- Use woman, veteran, or minority owned businesses as much as possible....¹¹

The view that RNG may provide opportunities for economic development is bolstered by many commenters, especially AURI and LIUNA.

The Commission will direct CenterPoint to report on the extent to which its RNG interconnection program has met the criteria specified in the *COVID Docket*. In addition, CenterPoint must report on the level of utility and private investments in the program, and its impact on job creation or other economic development. This information must be included in CenterPoint's first annual report on its RNG interconnection program.

The Commission will so order.

ORDER

1. The Commission approves with modifications the petition of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas providing for the interconnection of providers of Renewable Natural Gas, including approval of the following:
 - A. The proposed Interconnection Feasibility Study Agreement (RNG Interconnection Petition, Exhibit A).
 - B. The proposed renewable natural gas interconnection agreement (RNG Interconnection Petition, Exhibit B).
 - C. The RNG Interconnection Tariff (RNG Interconnection Petition, Exhibit D), modified to do the following:
 - 1) Specify that the tariff applies to biogenic renewable natural gas, defined as "pipeline-compatible gaseous fuel that has been derived from the anaerobic biological decomposition of organic materials and has lower lifecycle carbon dioxide equivalent emissions than geological natural gas."
 - 2) Charge RNG customers the same non-gas margin as interruptible transportation customers, less the conservation cost recovery charge, i.e., \$0.15748 per therm.

¹¹ *COVID Docket*, Notice of Reporting Required by Utilities (May 20, 2020).

- 3) Establish an exit fee substantially as follows:

If Customer suspends RNG production, Customer will pay an exit fee equal to the total cost of installing the RNG facilities, including main to connect to CenterPoint's distribution system, and any costs for removal of facilities—less the initially paid contribution in aid of construction; depreciation of facilities that has occurred between project inception and suspension of RNG production; and cost for infrastructure that is utilized by other customers.

- D. Miscellaneous changes to integrate CenterPoint's proposal with the rest of its tariffs (RNG Interconnection Petition, Exhibit G).
2. Within 30 days, CenterPoint shall file a revised ("clean") tariff, Interconnection Feasibility Study Agreement, and RNG Interconnection Agreement consistent with the decisions in this order. The Commission delegates authority to its Executive Secretary to approve CenterPoint's tariff and agreements, and to vary timelines.
3. Within 90 days of the tariff taking effect, CenterPoint shall file a report exploring the possibility of segmenting the market between small and large customers, and the practicability of Individual-Case-Based pricing for large customers. The report shall include the costs and revenues of each interconnecting customer.
4. In lieu of approving CenterPoint's proposed RNG Quality Standards (RNG Interconnection Petition, Exhibit C), the Commission directs CenterPoint to do the following:
- A. Ensure that any biogas interconnection or service is consistent with its obligations to provide safe and reliable service.
- B. Maintain on CenterPoint's website the most up-to-date biogas quality standards and testing requirements for those injecting biogas into the distribution system under CenterPoint's RNG interconnection program.
- C. Periodically update its gas quality standards according to the best available science, after consulting with stakeholders, the Minnesota Department of Commerce, and the Minnesota Office of Pipeline Safety.
- D. Notify the Commission when it changes its service quality standards.
- E. Starting with its annual report in 2022, report on its discussions with stakeholders on its gas quality standards.
5. CenterPoint shall separately track the costs it incurs for each RNG producer or developer that interconnects with CenterPoint, and the total RNG received from each RNG producer or developer (in dekatherms).

6. CenterPoint shall track and identify all the customers CenterPoint adds to lines built to accommodate interconnecting RNG developers and producers, along with the associated costs and revenues. In filing its next general rate case, CenterPoint shall analyze and discuss these matters.
7. CenterPoint shall not seek to recover from ratepayers the cost of rebates or incentives used by CenterPoint in its interconnection process.
8. If any CenterPoint affiliates are or become involved in any RNG interconnection project, CenterPoint shall do the following:
 - A. Inform the Commission and Department.
 - B. Explain whether any proposed interconnection project implicates Minn. Stat. § 216B.48 and Minn. R. 7825.1900–7825.2300; the relevance of the affiliated interest laws to all applicable projects; and how any transactions with its affiliates would comply.
 - C. Seek Commission approval of transactions governed by the affiliated interest laws.
9. CenterPoint shall seek Commission approval before engaging in any RNG transactions for its fueling station.
10. Each time CenterPoint accepts another producer’s renewable natural gas into its system, CenterPoint shall make a compliance filing within 30 days with the following information:
 - A. The producer’s feedstock or feedstocks.
 - B. The total amount of RNG expected to be provided by the producer.
 - C. The mix of end-uses of the digestate.
 - D. If known, the state(s) in which the entity or entities purchasing the RNG from the producer are located and the end-use for which the RNG is being purchased.
 - E. Methane leakage control and mitigation measures employed by the producer at the production and upgrade facility.
 - F. Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.
 - G. Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer—and a description of the methodology used to develop the lifecycle analysis.
11. By each February 1, beginning in 2022, CenterPoint shall file the following information:
 - A. The total number of interconnected RNG producers supplying RNG to the CenterPoint system in the previous calendar year.

- B. The amount of RNG volumes taken onto the CenterPoint system each year in total and from each of those producers.
 - C. The mix of feedstock used by RNG producers connected to CenterPoint's system and volumes provided to the system broken out by primary feedstock for the previous calendar year.
 - D. The mix of end-uses of the digestate for each producer interconnected to CenterPoint's system.
 - E. The estimated methane emissions associated with the total amount of RNG received on Center's system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.
 - F. Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on CenterPoint's system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on CenterPoint's system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.
 - G. Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filing described in Ordering Paragraph 10.
12. Within 90 days and before filing any revised tariff for marketing RNG to its retail customers, CenterPoint shall file in a new docket a proposal based on consultation Center for Energy and the Environment, Fresh Energy, Minnesota Center for Environmental Advocacy, the Sierra Club, and other interested stakeholders for –
- A. an accounting framework to evaluate and verify the carbon intensity of different RNG sources and validate its effectiveness in reducing carbon emissions; and
 - B. a threshold of carbon intensity that should be required for RNG interconnection producers.
13. As part of its first annual RNG interconnection report on February 1, 2022, CenterPoint shall make a compliance filing describing how its RNG program is consistent with the information requested in the May 20, 2020 notice issued in Docket No. E,G-999/CI-20-492, *In the Matter of an Inquiry into Utility Investment that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic*, as well as information on the level of utility and private investments in the program, and its impact on job creation or other economic development.

14. The data and information provided through the RNG interconnection compliance filings may be used by the Commission and the Minnesota Department of Commerce to evaluate future utility proposals for additional investments in RNG in Minnesota, and future program and tariff proposals for RNG in Minnesota.
15. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert
Executive Secretary



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CERTIFICATE OF SERVICE

I, Nancy Jia, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

**Minnesota Public Utilities Commission
ORDER APPROVING RENEWABLE NATURAL GAS INTERCONNECTION
FRAMEWORK AND TARIFF WITH MODIFICATIONS**

Docket Number

G-008/M-20-434

Dated this **26th** day of **January, 2021**

/s/ Nancy Jia

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Dan	Skogen	dstkogen@auri.org	Agricultural Utilization Research Institute	63141 260th St Hewitt, MN 56453	Electronic Service	No	OFF_SL_20-434_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-434_Official Service List
James M	Strommen	jstrommen@kenedy-graven.com	Kennedy & Graven, Chartered	150 S 5th St Ste 700 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-434_Official Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-434_Official Service List
Joseph	Tesar	jtesar@quantalux.com	Quantalux LLC	1005 LINCOLN AVE APT 1 Ann Arbor, MI 48104	Electronic Service	No	OFF_SL_20-434_Official Service List
Matthew	Tomich	tomich@energy-vision.org	Energy Vision	138 E 13th St New York, NY 10003	Electronic Service	No	OFF_SL_20-434_Official Service List
Jessica	Tritsch	jessica.tritsch@sierraclub.org	Sierra Club	2327 E Franklin Ave Minneapolis, MN 55406	Electronic Service	No	OFF_SL_20-434_Official Service List
Sam	Wade	sam@rngcoalition.com	Coalition for Renewable Natural Gas	1017 L Street #513 Sacramento, CA 95814	Electronic Service	No	OFF_SL_20-434_Official Service List
Jeffrey	Wright	jwright@bioenergydevco.com		4402 Beard Ave S Minneapolis, MN 55410	Electronic Service	No	OFF_SL_20-434_Official Service List
Grant	Zimmerman	GZIMMERMAN@AMPAME RICAS.COM	Amp Americas	811 W Evergreen Ave Ste 201 Chicago, IL 60642	Electronic Service	No	OFF_SL_20-434_Official Service List

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, JANUARY 23, 2023

REG. RECORDS OFFICE
STATE OF VIRGINIA

2023 JAN 23 A 10:53

202301230023

APPLICATION OF

ROANOKE GAS COMPANY

CASE NO. PUR-2022-00125

For approval of a certificate of public convenience and necessity to construct, own, and operate a digester gas conditioning system and for a rate adjustment clause designated Rider RNG and related tariff provisions pursuant to Chapters 10.1 and 30 of Title 56 of the Code of Virginia

FINAL ORDER

On August 3, 2022, Roanoke Gas Company ("Roanoke Gas" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application"), pursuant to Chapters 10.1 and 30 of Title 56 of the Code of Virginia ("Code"), for approval of a biogas supply investment plan.¹ The Company seeks to buy anaerobic digester gas ("Digester Gas") from the Western Virginia Water Authority ("WVWA"), which will be processed through a digester gas conditioning system, gas carrying pipe, and other necessary equipment ("RNG Facility"), constructed, owned, operated, and maintained by the Company, to produce renewable natural gas ("RNG").² Specifically, the Company seeks approval of: (1) a certificate of public convenience and necessity to construct, own, operate, and maintain the RNG Facility pursuant to the Utility Facilities Act, Code § 56-265.1 *et seq.*; (2) a rate adjustment clause designated Rider RNG, for the recovery of projected costs associated with the RNG Facility as permitted under

¹ Application at 1.

² *Id.*

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Chapter 30 of Title 56 of the Code,³ and (3) tariff provisions pursuant to Code §§ 56-248.1 and 56-234 related to the RNG Facility, the Company's procurement of "supplemental and substitute forms of gas" under the Code, and the interconnection of renewable gas facilities owned and operated by third parties with the Company's distribution system.⁴ Pursuant to Code § 56-625 C, the Commission "shall approve or deny, within 180 days, a natural gas utility's initial application for a biogas supply investment plan."

On August 29, 2022, the Commission issued an Order for Notice and Hearing ("Procedural Order") that, among other things: directed Roanoke Gas to provide public notice of its Application; scheduled public witness and evidentiary hearings for the purpose of receiving testimony from public witnesses and evidence on the Application; provided interested persons an opportunity to file written comments on the Application or participate as respondents in this proceeding; directed the Commission Staff ("Staff") to investigate the Application and file testimony with the results of the investigation; and assigned this case to a Hearing Examiner to conduct all further proceedings in this matter and to file a report.

Appalachian Voices filed a notice of participation on September 23, 2022, and testimony on October 21, 2022.⁵ Staff filed testimony on October 31, 2022.⁶ Roanoke Gas filed rebuttal

³ Code § 56-625.

⁴ Application at 1-2.

⁵ See, e.g., Ex. 1 (Clarens Direct).

⁶ See, e.g., Ex. 20/20C (Otwell Direct); Ex. 21 (Newton Direct); Ex. 22 (Connolly Direct); Ex. 23/23C (Kuleshova Direct).

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testimony on November 14, 2022⁷. The Commission also received four public comments regarding the Application, all in support.

In the Procedural Order, the Commission noted that Staff had requested the Department of Environmental Quality ("DEQ") to coordinate an environmental review of the proposed RNG Facility. The DEQ filed the results of its coordinated review ("DEQ Report") on November 7, 2022.⁸ The DEQ Report summarized the proposed RNG Facility's potential environmental impacts, made recommendations for minimizing those impacts, and outlined the Company's responsibilities for compliance with certain legal requirements governing environmental protection.⁹

On November 18, 2022, Commission Hearing Examiner D. Mathias Roussy, Jr., convened a hearing to receive the testimony of Appalachian Voices' witness. On November 21, 2022, the telephone testimony of one public witness was received. On November 22, 2022, the remaining evidence of the parties and Staff was received into the record. Roanoke Gas, Appalachian Voices, and Staff participated in the hearings.

The Hearing Examiner issued his Report ("Report") in this matter on December 19, 2022. On January 4, 2023, comments on the Report were filed by Roanoke Gas, Appalachian Voices, and Staff.

⁷ See, e.g., Ex. 24 (Schneider Rebuttal); Ex. 25/25C (Banka Rebuttal); Ex. 26 (Cox Rebuttal); Ex. 28 (Luna Rebuttal); Ex. 30 (Oliver Rebuttal).

⁸ See Ex. 19 (DEQ Report).

⁹ See e.g., *id.* at 3-6.

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NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows.¹⁰

Hearing Examiner's Report

After analyzing the law and weighing the evidence – and providing a thorough and detailed analysis thereof – the Hearing Examiner made the following recommendations:¹¹

Accordingly, I RECOMMEND the Commission enter an order that:

(1) *GRANTS* a certificate of public convenience and necessity for the RNG Facility, subject to the conditions that the Company: (a) adhere to the recommendations of the DEQ Report; (b) obtain all necessary environmental and applicable local government permits and approvals; and (c) adhere to Staff's safety recommendations, to the extent they apply to the RNG Facility;

(2) *APPROVES* Rider RNG, with an initial, nine-month revenue requirement credit of \$127,398, subject to the condition that the Company take all reasonable steps to lower the costs to construct and operate the RNG Facility, which includes maximizing RIN¹² proceeds and seeking any applicable tax credits that are currently available or become available in the future;

(3) *DIRECTS* the Company to file annual updates to Rider RNG that include a true-up mechanism;

(4) *DIRECTS* the Company to present Rider RNG charges or credits as a separate line item on customer bills;

(5) *APPROVES* the Company's proposed tariff provisions, with approval for Rate Schedule RNG Receipt conditioned on the Company's adherence to all of Staff's safety recommendations to the extent they apply to facilities other than the Company's proposed RNG Facility with Staff recommendation (11) modified as recommended herein; and

(6) *DISMISSES* this case from the Commission's docket of active cases.

¹⁰ The Commission has fully considered the evidence and arguments in the record. *See also Board of Supervisors of Loudoun County v. State Corp. Comm'n*, 292 Va. 444, 454 n.10 (2016) ("We note that even in the absence of this representation by the Commission, pursuant to our governing standard of review, the Commission's decision comes to us with a presumption that it considered all of the evidence of record.") (citation omitted).

¹¹ Report at 86 (emphases in original).

¹² Renewable Identification Number.

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Upon consideration of this matter, the Commission concludes that the Hearing Examiner's rulings, findings, and recommendations are supported by law and the evidence, have a rational basis, and are adopted herein.¹³ In so concluding, the Commission approves the Application, including the requested certificate of public convenience and necessity; Rider RNG; and proposed tariff revisions, subject to the conditions and requirements recommended by the Hearing Examiner and further set forth herein. In addition, the Commission provides further discussion below on its findings for purposes of this proceeding.

2022 Legislation

The instant proceeding represents the first filing under the legislation ("2022 Legislation") enacted by the 2022 General Assembly and codified at Code § 56-625.¹⁴ As acknowledged by the Hearing Examiner, there is overlap and duplication in the statutory standards applicable to this case.¹⁵ At a high level, Code § 56-625 contains: (1) certain requirements or elements of a "biogas supply investment plan"; (2) standards for determining whether the RNG Facility is an "[e]ligible biogas supply infrastructure project[]" includable in such a "plan;" and (3) standards requiring that the Commission "shall approve" such a "plan."¹⁶

Emissions Reductions

A significant issue in this case was the extent to which Roanoke Gas's RNG Facility, and by extension its biogas supply investment plan, will result in a decrease of methane or carbon dioxide equivalent emissions and, in particular, whether emissions reductions from WVWA's

¹³ See Report.

¹⁴ 2022 Va. Acts ch. 728, 759.

¹⁵ Report at 61.

¹⁶ *Id.*

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digester rehabilitation project may be considered. In this regard, the Commission agrees with the analysis and conclusions set forth by the Hearing Examiner:

I read the statute to allow any reasonably anticipated reduction in relevant emissions from the RNG Facility to be combined with ("in combination with") any such reduction from the digester rehabilitation (an "other project[]") by the WVWA. The RNG Facility was developed with the WVWA (a "third party"), which will, among other things, provide the necessary digester gas and property. These are complementary, interconnected projects that were designed concurrently and are being overseen by the same engineering firms. Company witness Luna, for example, was hired by RK&K to help engineer and design the WVWA's project and Roanoke Gas's RNG Facility to optimally work together. As memorialized by several finalized and pending contracts, WVWA and Roanoke Gas have jointly developed strategies for the construction and operation of the RNG Facility, which include the sale of the environmental attributes of the biogas. These attributes cannot be sold without the RNG Facility. Accordingly, this is a type of strategic partnership that may be used to achieve the underlying policy if, among other things, the RNG Facility – "in combination with" the WVWA's project – will reduce emissions. This part of the statute can be satisfied either with such combination or by considering the RNG Facility alone.¹⁷

Based on the record developed in this proceeding, the Commission agrees with the Hearing Examiner that the record supports a finding that the RNG Facility, in combination with the WVWA's digester rehabilitation project, will result in a decrease of methane or carbon dioxide equivalent emissions and that such satisfies the statute.¹⁸

Public Interest

Appalachian Voices asserts that the Hearing Examiner "should have included the Projects' costs to customers in his public interest balancing."¹⁹ "Without considering costs to

¹⁷ *Id.* at 67.

¹⁸ *Id.* at 67-74.

¹⁹ Appalachian Voices Comments at 4.

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customers in the public interest prong, [] the public interest analysis becomes a mere formality, and the result a foregone conclusion."²⁰ We disagree and find the Hearing Examiner's balancing of the various public interest factors to be rigorous. We further clarify, however, that additional consideration of the costs to customers of the RNG Facility (beyond any considerations encompassed by the Hearing Examiner) would not change our conclusion that the RNG Facility and the associated biogas supply investment plan is in the public interest. As stated by the Hearing Examiner, "Roanoke Gas's project has the potential to achieve a rare combination of increasing local fuel supply, reducing greenhouse gas emissions, and increasing a utility's profit while also lowering customer rates."²¹

Sharing of RIN Proceeds and Performance Guarantee

Roanoke Gas proposes for shareholders to receive a portion of the RIN proceeds as an incentive to maximize RIN sales.²² Such incentive would be in addition to dollar-for-dollar cost recovery and a 100 basis-point return on equity adder under Code § 56-625. We agree with the Hearing Examiner that Rider RNG rates will be just and reasonable if the Company's proposal for shareholders to receive a share of RIN proceeds is removed.²³ Further in this regard, the Company is directed to take all reasonable steps to lower the costs to construct and operate the RNG Facility, which includes maximizing RIN proceeds and seeking any applicable tax credits

²⁰ *Id.* at 4-5.

²¹ Report at 2. Appalachian Voices also urges the Commission to consider the cost to customers per metric ton of carbon dioxide as part of its consideration of the public interest. Appalachian Voices Comments at 5. We decline to adopt such as a mandatory criterion for consideration of whether approval is in the public interest.

²² Report at 77.

²³ *Id.* at 85.

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that are currently available or become available in the future. We will not, however, require a performance guarantee associated with the RNG Facility at this time.

Pipeline Safety

The injection of RNG, derived from wastewater, into a local distribution company's distribution system is a new practice in Virginia and the record established in this proceeding shows "possible deleterious effect to a natural gas distribution system from certain constituents potentially found in such RNG."²⁴ The Commission finds the Hearing Examiner's recommended modification to recommendation number (11) of Staff witness Connolly is reasonable and appropriate at this time.²⁵ As the Commission gains experience with RNG and its impact on the local distribution system, this condition may be revisited, revised, or superseded to ensure pipeline safety.

Accordingly, IT IS ORDERED THAT:

- (1) The Commission adopts the Hearing Examiner's findings and recommendations and makes findings as set forth herein.
- (2) The Hearing Examiner's recommendations, set forth herein, are hereby ordered.
- (3) Subject to the findings and requirements set forth in this Final Order, the Company is granted Generation Certificate No. EG-RNG-ROX-2023-A to construct and operate the RNG Facility.
- (4) The Company shall forthwith work with Staff to file electronic maps of the RNG Facility for certification. The electronic maps shall include the boundaries of the RNG Facility; the utility point of interconnection; county designations; geographic identifiers (road names,

²⁴ See, e.g., Staff Comments at 2 (citing Ex. 22 (Connolly Direct)) at 3-10.

²⁵ Report at 83-84.

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waterways, etc.); and the Global Positioning System coordinates of the RNG Facility. The electronic maps shall be submitted to Michael Cizenski, Deputy Director, Division of Public Utility Regulation, by email at mike.cizenski@scc.virginia.gov.

(5) The Company shall forthwith file revised tariffs and terms and conditions of service and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as necessary to comply with the directives and findings set forth in this Final Order. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(6) The Company may implement Rider RNG upon acceptance of its revised tariffs and terms and conditions of service by Commission Staff.

(7) Roanoke Gas shall file an application to update Rider RNG by May 30, 2023, and include the annual reports required by Code § 56-625 E and Enactment Clause 3 of the 2022 Legislation regarding reductions in methane and carbon dioxide equivalent emissions.

(8) This matter is dismissed.

Commissioner Patricia L. West participated in this matter.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.



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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE
Chairman
BOB BURNS
Commissioner
ANDY TOBIN
Commissioner
BOYD DUNN
Commissioner
JUSTIN OLSON
Commissioner

Arizona Corporation Commission

DOCKETED

FEB 26 2018

DOCKETED BY

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION)
FOR APPROVAL OF MODIFICATIONS TO)
ITS ARIZONA GAS TARIFF TO ALLOW)
FOR BIOGAS GATHERING AND)
UPGRADING SERVICE RENEWABLE)
NATURAL GAS INTERCONNECTION)
AND TRANSPORTATION SERVICE)

DOCKET NO. G-01551A-17-0286
DECISION NO. 76589
ORDER

Open Meeting
February 6 and 7, 2018
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("SWGC" or "Company") is certificated to provide natural gas service as a public service corporation in Arizona.

Background

2. On September 25, 2017, SWGC filed an application with the Commission requesting approval of certain modifications to its Arizona Gas Tariff to allow for Biogas Gathering and Upgrading Service and Renewable Natural Gas ("RNG") Interconnection and Transportation Service.

What is Biogas?

3. Biogas is produced from various biomass sources through a biochemical process, such as anaerobic digestion, or through thermochemical means, such as gasification. Typical sources of biogas include water and wastewater treatment facilities, animal manure, and municipal landfills. With minor cleanup, biogas can be used to generate electricity and heat. To fuel vehicles, biogas must be

Page 2

Docket No. G-01551A-17-0286

1 processed to a higher purity standard. After biogas is cleaned of unwanted constituents such as water,
2 hydrogen sulfide, carbon dioxide, and ammonia, the resulting product is known as RNG.

3 4. RNG is a pipeline-quality gas that is fully interchangeable with conventional natural gas,
4 and thus, can be used in natural gas vehicles. Like conventional natural gas, RNG can be used as a
5 transportation fuel in the form of Compressed Natural Gas (“CNG”) or Liquefied Natural Gas
6 (“LNG”). RNG qualifies as an advanced biofuel under the federal Renewable Fuel Standard (“RFS”).

7 *Federal Renewable Fuel Standard*

8 Program Overview:

9 5. The RFS program was created under the Energy Policy Act of 2005 (“EPA Act”), which
10 amended the Clean Air Act (“CAA”). The Energy Independence and Security Act of 2007 (“EISA”)
11 further amended the CAA by expanding the RFS program. EPA implements the program in
12 consultation with U.S. Department of Agriculture and the Department of Energy.

13 6. The RFS program is a national policy that requires a certain volume of renewable fuel
14 to replace or reduce the quantity of petroleum-based transportation fuel, heating oil or jet fuel. The
15 four renewable fuel categories under the RFS are biomass-based diesel, cellulosic biofuel, advanced
16 biofuel, and total renewable fuel.

17 7. For a fuel to qualify as a renewable fuel under the RFS program, EPA must determine
18 that the fuel qualifies under the statutes and regulations. Among other requirements, fuels must achieve
19 a reduction in Greenhouse Gas (“GHG”) emissions as compared to a 2005 petroleum baseline.

20 8. EPA has approved “renewable compressed natural gas” and “renewable liquefied
21 natural gas” as a renewable fuel under the RFS program. The EPA classifies renewable compressed
22 natural gas and renewable liquefied natural gas as “cellulosic biofuel” with a D-Code of 3. Both of these
23 types of renewable natural gas are assumed to reduce lifecycle GHG emissions by 60 percent over the
24 2005 petroleum baseline.

25 9. Volumes provided in the statute are listed in the following table:
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27
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1 **Volume Standards as Set Forth in EISA**

2 Year	3 Cellulosic Biofuel	4 Biomass-Based Diesel	5 Advanced Biofuel	6 Total Renewable Fuel	7 "Conventional" Biofuel
8 2009	9 NA	10 0.5	11 0.6	12 11.1	13 10.5
14 2010	15 0.1 ¹	16 0.65	17 0.95	18 12.95	19 12.0
20 2011	21 0.25	22 0.8	23 1.35	24 13.95	25 12.6
26 2012	27 0.5	28 1.0	29 2.0	30 15.2	31 13.2
32 2013	33 1.0	34 *	35 2.75	36 16.55	37 13.8
38 2014	39 1.75	40 *	41 3.75	42 18.15	43 14.4
44 2015	45 3.0	46 *	47 5.5	48 20.5	49 15.0
50 2016	51 4.25	52 *	53 7.25	54 22.25	55 15.0
56 2017	57 5.5	58 *	59 9.0	60 24.0	61 15.0
62 2018	63 7.0	64 *	65 11.0	66 26.0	67 15.0
68 2019	69 8.5	70 *	71 13.0	72 28.0	73 15.0
74 2020	75 10.5	76 *	77 15.0	78 30.0	79 15.0
80 2021	81 13.5	82 *	83 18.0	84 33.0	85 15.0
86 2022	87 16.0	88 *	89 21.0	90 36.0	91 15.0

92 *Statute sets 1-billion-gallon minimum, but EPA may raise requirement

93 Note: There is no statutory volume requirement for "conventional" biofuel. The conventional volumes in the table are calculated (total - advanced) and are certain biofuels that do not qualify as advanced.

19 10. The CAA provides EPA authority to adjust cellulosic, advanced and total volumes set
20 by Congress as part of the annual rule process.

21 11. The statute also contains a general waiver authority that allows the Administrator to
22 waive the RFS volumes, in whole or in part, based on a determination that implementation of the
23 program is causing severe economic or environmental harm, or based on inadequate domestic supply.

24 RFS Program Compliance:

25 12. Obligated parties under the RFS program are refiners or importers of gasoline or diesel
26 fuel. Compliance is achieved by blending renewable fuels into transportation fuel, or by obtaining
27

28 ¹ Volume Standards are presented in billions of gallons

1 credits (called “Renewable Identification Numbers”, or “RINs”) to meet an EPA-specified Renewable
2 Volume Obligation (RVO).

3 13. EPA calculates and establishes RVOs every year through rulemaking, based on the CAA
4 volume requirements and projections of gasoline and diesel production for the coming year. The
5 standards are converted into a percentage and obligated parties must demonstrate compliance annually.

6 14. RINs are the credits that obligated parties use to demonstrate compliance with the
7 standard. Obligated parties must obtain sufficient RINs for each category in order to demonstrate
8 compliance with the annual standard. RINs are similar to Renewable Energy Credits (“RECs”) that are
9 used to measure electric utility compliance to state Renewable Energy Standards.

10 15. RINs are generated when a producer makes a gallon of renewable fuel. At the end of
11 the compliance year, obligated parties use RINs to demonstrate compliance. RINs can be traded
12 between parties. Obligated parties can buy gallons of renewable fuel with RINs attached, or they can
13 buy RINs on the market. Obligated parties can carry over unused RINs between compliance years.
14 They may carry a compliance deficit into the next year. This deficit must be made up the following year.

15 *California’s Low Carbon Fuel Standard*

16 16. The Low Carbon Fuel Standard (“LCFS”) is administered by the California Air
17 Resources Board. Established in 2007 through a Governor’s Executive Order, it uses a market-based
18 cap and trade approach to lowering the GHG emissions from petroleum-based transportation fuels like
19 reformulated gasoline and diesel.

20 17. The LCFS requires producers of petroleum-based fuels to reduce the carbon intensity
21 of their products, beginning with a quarter of a percent in 2011 culminating in a 10 percent total
22 reduction in 2020. Petroleum importers, refiners and wholesalers can either develop their own low
23 carbon fuel products, or buy LCFS Credits from other companies that develop and sell low carbon
24 alternative fuels, such as biofuels, electricity, natural gas or hydrogen. RNG has a carbon intensity lower
25 than the current target, and therefore generates LCFS credits.

26 **SWG’s Proposed Biogas Tariff**

27 18. SWGC has submitted a document entitled “Schedule No. G-65, Biogas and Renewable
28 Natural Gas Services” (“Schedule G-65”). This document is subdivided into seven sections with the

1 following headings: “Applicability”; Territory”; “Rates”; “Biogas Service”; “Renewable Natural Gas
2 Service”; “Prohibition of Biogas and Renewable Natural Gas from Hazardous Waste Facilities”; and
3 “Definitions”.

4 **Staff Analysis and Recommendations**

5 *Biogas and RNG Market Analysis*

6 19. According to the American Biogas Council, Arizona ranks No. 15 in the United States
7 (“U.S.”) for biogas potential. Currently, Arizona has 17 operational biogas systems with the potential
8 for more than 135 new projects based on the estimated amount of available organic material.
9 Constructing this many projects would generate \$198 million in capital investment, and create 1,650
10 short-term construction jobs, 132 long-term jobs, and numerous industry-supporting jobs. If fully
11 realized, these biogas systems have the potential to produce enough RNG to fuel 1.75 million vehicles.
12 They would also collectively reduce GHG emissions by the equivalent of 10.3 trillion tons of carbon
13 dioxide.

14 20. Despite the state-wide potential for biogas development, Staff notes that the market for
15 RNG for use as a transportation fuel is being driven primarily by the Federal and California state
16 subsidies offered through the RIN and LCFS incentive programs. As with all incentive programs,
17 reduction or elimination of the incentives will typically dramatically alter the cost-effectiveness of the
18 subsidized technology. In turn, this could reduce the cost-effectiveness of biogas/RNG projects.

19 *SWGC Application Analysis*

20 21. Staff’s review of Schedule G-65 reveals the document to be a broad policy statement of
21 the general terms and conditions under which SWGC may enter into a service agreement with a biogas
22 or RNG producer. The document focuses on requirements for access to biogas and RNG producer
23 facilities, interconnection points, RNG quality testing, and a prohibition on taking biogas or RNG from
24 hazardous waste facilities.

25 22. Under the “Rates” heading, SWGC states that:

26 *“The Utility and Applicant(s) will negotiate a mutually agreeable rate structure*
27 *based on the Utilities cost of service (“Services Fee”), which includes depreciation, return on*
28 *capital investment, taxes, and operational expenses. The Services Fee shall be set forth in*
negotiated agreements dependent upon the type of service provided by the Utility such as: a)
Biogas Gathering Agreement (“Gathering Agreement”), b) Biogas Cleaning and Upgrading

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Agreement (“Upgrading Agreement”), or c) RNG Interconnection and Transportation Agreement (“RNG Transportation Agreement”), or any other applicable agreement required to effectuate service under this Tariff.”
“The Services Fee will be in addition to the charges for gas delivery service required to deliver gas from the interconnection point(s) to another location on the Utility’s facilities. The delivery charges are set forth in the Applicant’s applicable gas sales service tariff schedule or the charges set forth in the Applicant’s service agreement.”

23. Other than the above references to various types of special agreements between the Company and the customer, no dollar values or other pricing is proposed in the Schedule G-65. Because the document does not provide specific pricing information, Staff believes the document does not contain the usual elements found in a tariff. Rather, the document is more akin to a Plan of Administration.

24. In Staff’s conversations with SWGC, the Company has stated that the intent for submitting Schedule G-65 is to make the Commission aware of the expanding market for biogas and RNG, and to obtain the Commission’s approval to actively identify and develop new business opportunities in this arena. Staff’s research confirms that viable business opportunities may well exist within SWCG’s Arizona service territory.

25. However, Staff is concerned that existing and future customers of SWGC could fund some, or all, of SWGC’s business development expenses incurred during the pursuit of this new business opportunity. Staff therefore recommends that in the event SWGC is successful in identifying a bona fide biogas or RNG business opportunity, the Commission should require SWGC to submit a Special Contract for said business opportunity to the Commission for Staff review and Commission approval. The Special Contract shall include dollar values to-date for SWGC’s biogas and RNG business development expenses and a discussion of how those costs are proposed to be recovered. The Special Contract shall also include a full disclosure of all costs and fees to be levied on the Customer, and anticipated monthly and annual gas quantities to be handled or processed by SWGC. SWGC shall also provide the Commission a statement regarding the anticipated depreciation, return on capital investment, taxes, and operational expenses over the duration of the Special Contract.

26. SWGC has stated that the review of any biogas opportunity identified and developed by SWGC under a Special Contract format by Commission Staff is acceptable. However, SWGC has

1 expressed concern over how quickly Staff would review such a Special Contract filing. Staff recognizes
2 SWGC’s concern and in response, Staff will commit to use its best efforts to process the Special
3 Contract filing within 90 days of the filing’s docket date.

4 27. SWGC has also stated that it will require financial surety from the RNG producer
5 counterparty to provide SWGC security that SWGC can recover its costs should the counterparty fail
6 to perform. The required financial surety would be in the form of cash, letter of credit, or bond, and
7 would be specified within the Special Contract.

8 *Staff Recommendations*

9 28. Staff has recommended approval of SWGC’s proposed “Schedule No. G-65, Biogas and
10 Renewable Natural Gas Services” subject to the Special Contract submittal and approval requirements
11 discussed herein.

12 29. Staff has further recommended that SWGC be ordered to file a revised “Schedule No.
13 G-65, Biogas and Renewable Natural Gas Services” that contains language that clearly states Special
14 Contracts under this tariff will require the approval of the Commission.

15 CONCLUSIONS OF LAW

16 1. Southwest Gas Corporation is an Arizona public service corporation within the meaning
17 of Article XV, Section 2, of the Arizona Constitution.

18 2. The Commission has jurisdiction over Southwest Gas Corporation and over the subject
19 matter of the application.

20 3. The Commission, having reviewed the application and Staff’s Memorandum dated
21 January 23, 2018, concludes that it is in the public interest to approve Southwest Gas Corporation’s
22 Schedule No. G-65, “Biogas and Renewable Natural Gas Services” as discussed herein.

23 ORDER

24 IT IS THEREFORE ORDERED that Southwest Gas Corporation’s Schedule No. G-65,
25 “Biogas and Renewable Natural Gas Services” is approved subject to the Special Contract submittal and
26 approval requirements discussed herein.

27 ...

28 ...

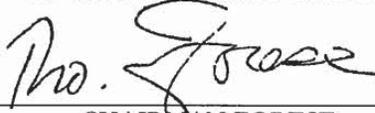
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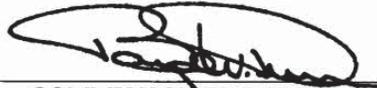
1 IT IS FURTHER ORDERED that Southwest Gas Corporation shall file a revised Schedule
2 No. G-65, "Biogas and Renewable Natural Gas Services" that contains language that clearly states
3 Special Contracts under this tariff will require the approval of the Commission.

4 IT IS FURTHER ORDERED this Decision shall become effective immediately.

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7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 CHAIRMAN FORESE



COMMISSIONER DUNN

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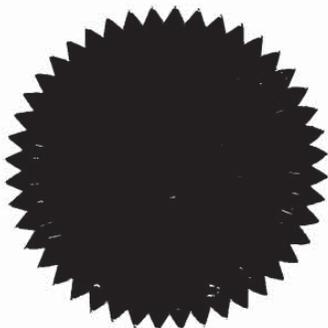
12 COMMISSIONER TOBIN



COMMISSIONER OLSON



COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director
of the Arizona Corporation Commission, have hereunto, set my
hand and caused the official seal of this Commission to be
affixed at the Capitol, in the City of Phoenix, this 26th day
of February, 2018.

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TED VOGT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:RBL:elr/RWG

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1 Southwest Gas Corporation
2 Docket No. G-01551A-17-0286

3 Mr. Matt Derr
4 Southwest Gas Corporation
5 1600 East Northern Avenue
6 Phoenix, Arizona 85020

6 Mr. Andy Kvesic
7 Director/Chief Counsel, Legal Division
8 Arizona Corporation Commission
9 1200 West Washington Street
10 Phoenix, Arizona 85007
11 RGeake@azcc.gov
12 **Consented to Service by Email**

11 Mr. Elijah O. Abinah
12 Director, Utilities Division
13 Arizona Corporation Commission
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15 Phoenix, Arizona 85007

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