AUSLEY McMULLEN

Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301

P: (850) 224-9115
F: (850) 222-7560

ausley.com

May 15, 2025

VIA ELECTRONIC FILING

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

Re: Docket 20250026-GU - Petition for Approval to Modify its Swing Service Charge, Individual Transportation Service Rider, and Off-System Service Rate Schedule.

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. are the company's answers to Staff's Second Data Request (Nos. 1-9), served via email on May 5, 2025.

Thank you for your assistance in connection with this matter.

Sincerely,

Virginia Ponder

VLP/dh
Attachment

cc: All parties

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing answers, filed on behalf of People Gas System, Inc., has been furnished by electronic mail on this 15th day of May 2025 to the following:

Ryan Sandy
Office of General Counsel
Florida Public Service Commission
Room 390L – Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
tsparks@psc.state.fl.us
sfarooqi@psc.state.fl.us
discovery-gcl@psc.state.fl.us

Brad Nelson
Gas South, LLC
5001 Celebration Pointe, 2nd Floor, Ste 220
Gainesville, FL 32608
Brad.nelson@gassouth.com

ATTORNEY

1. Please explain in detail why PGS did not propose to alter the OSS sharing mechanism in its current rate case docket (20250029-GU) as the Commission's decision on the sharing could impacts the revenue requirement set in the rate case.

ANSWER:

The company did not propose to alter the OSS sharing mechanism in the rate case docket, 20250029-GU, (the "Rate Case Docket") due to uncertainty regarding the timing of a decision in this docket (20250026-GU) and the Rate Case Docket. Accordingly, the company prepared its request for an annual revenue requirement increase for the 2026 test year in the Rate Case Docket using the currently approved 25/75 sharing mechanism. The company believes it is more transparent to base its rate case on these approved levels and to make any adjustment to its revenue increase request in the Rate Case based on the outcome of the Commission's decision in the instant docket.

2. Please provide the same information as provided in the table in paragraph 25 of the petition for years 2025 (include actuals and projection until December 2025) and projected numbers for 2026.

ANSWER:

The table below presents the same information as provided in the table in paragraph 25 of the petition for budgeted and actuals for 2025 and projected for 2026.

Year	Total OSS Sales	Cost of OSS	Margin to PGA	Margin to Company
2025: Jan – Apr Actuals	$22,050,565	$10,508,149	$8,656,812	$2,885,604
2025: May – Dec Forecasted	$21,568,372	$14,650,000	$5,188,779	$1,729,593
2026 Forecasted	$33,117,300	$22,533,752	$7,937,661	$2,645,887

3. Witness Nichols in the rate case testimony in Exhibit AN-1 shows budgeted 2026 off system sales margin as $2.6 million. Please confirm that the $5.2 million referred to in response to staff's first data request no. 2a (in this docket) is twice that amount if the sharing gets revised from a 25/75 to a 50/50 basis.

ANSWER: Yes. The $5.2 million is an approximation based on doubling the $2.6 million amount if the sharing is revised to a 50/50 basis. The actual calculation for this projection is as follows:

Peoples' 2026 Budgeted OSS Margin Revenue (25/75)	$	2,645,888
Multiplied by 2 ("Doubled")	$	5,291,776
Difference	$	2,645,888
Multiplied by Net Operating Income Multiplier (1.0079)	$	2,666,791
2026 OSS Margin Revenue (50/50)	$	5,312,679

4. PGS has proposed removing the 90 percent cap in its 2025 rate case on tariff sheet 7.202 (20250029-GU). Please explain whether this proposed tariff revision is factored into the calculation of the $5.2 million.

ANSWER:

The proposed revision to the tariff is not factored into the calculation of the $5.2 million. As stated in the direct written testimony of the company's witness Luke Buzard in Docket Number 202500029-GU, the proposed tariff revision removes the cap on the distribution charge for this service and allows the rate charged for Off System Service to be set by competitive conditions. The 90 percent cap is only relative during abnormal market conditions, which the company does not consider when developing its forecast. By removing the 90 percent cap as proposed by the company, the PGA customers and the company would benefit from OSS transactions, if any, during periods when market conditions would support transactions at higher margins.

5. In response to staff's first data request No. 2, PGS provide the rebuttal testimony of Witness Grimard on behalf of Peoples which stated that "…off-system sales are sporadic, opportunistic transactions that are highly dependent on natural gas supply and market conditions…." Please explain whether the utility still considers its OSS revenue to be unpredictable and volatile.

ANSWER:

The company still considers OSS to be "sporadic, opportunistic transactions that are highly dependent on natural gas supply and market conditions" as described by Witness Grimard in the company's 2002 Rate Case, Docket No. 020384-GU. Additionally, the company considers its OSS revenue to be: (1) based on weather conditions, (2) contingent on the quantity of available capacity and commodity supply the company has available for sale in the spot market, (3) dependent on the company's system load obligations which varies based on weather and system balancing requirements, and (4) contingent on the magnitude of sales margins which vary based on market conditions at the company's points of supply receipts and points of delivery within Florida.

6. Witness Buzard in his testimony filed in the rate case docket No. 20250029-GU, on page 29, testifies that OSS revenues budgeted for 2026 reflect less favorable market conditions. Please explain if actual OSS revenues are materially different (higher or lower) than budgeted, how that would impact PGS's general body of ratepayers and PGS's earnings. In your response, also provide an explanation for the "less favorable market conditions."

ANSWER:

If actual OSS revenues are materially higher than budgeted, ratepayers would receive a reduction of the expenses allocated to the PGA, leading to lower bills for ratepayers. Additionally, and inherent to the intent of the OSS mechanism, this positive outcome would also enhance the company's earnings. Conversely, if OSS revenues are materially lower than budgeted, customers would not receive a reduction to the overall cost of the PGA. OSS transactions are highly opportunistic and depend on external market conditions, primarily the price of the natural gas commodity, to offer the ability to reduce customers' PGA costs and provide value to Peoples' financial performance.

The phrase "less favorable market conditions" is used within Witness Buzard's direct testimony, page 27, line 23 to 24, to help explain the budgeted 2026 OSS revenues in light of the fact that the 2024 OSS revenues were $2.3 million above the budgeted amount. On lines 19 to 20, Witness Buzard explains that the 2024 OSS revenue increase was due to "favorable natural gas price spreads and heightened market demand." Thus, the use of this term on lines 23 to 24 refers back to the "market conditions" – favorable natural gas price spreads and heightened market demand – that caused the increase in the 2024 OSS revenues. OSS opportunities are highly volatile, as demonstrated by historic performance, and predicting market conditions is challenging.

7. Please explain whether in the annual PGA docket, PGS currently credits 75 percent of actual annual OSS revenues for the year (not a budgeted amount that could vary from actual OSS revenues).

ANSWER:

PGS credits 75 percent of the actual OSS revenues on a monthly basis to the Purchased Gas Adjustment.

8. Referring to paragraph 44 of the petition, please provide an estimate of the additional revenues to be credited to the 2026 PGA as a result of the proposed modifications.

ANSWER:

The revenue to be credited to the PGA from ITS customers switching to NCTS by raising the annual threshold to 50,000 MMBtu is projected to be $2,027,798. Additionally, requiring the remaining ITS customers to fulfill 25 percent of their load requirements through a capacity release from PGS is expected to generate a credit of $3,134,836 to the PGA. Overall, the total revenue credited back to the PGA is projected to be $5,162,634. Lastly, requiring ITS customers to utilize 25% of PGS's capacity may limit the availability of capacity for Off-System sales opportunities.

9. Referring to paragraph 43 of the petition which states that Rider ITS customers can elect to receive the company's pipeline capacity or the capacity of a third-party. Please provide a general discussion as to why an ITS customer would elect the company's pipeline capacity versus the capacity of a third-party.

ANSWER:

An ITS customer would elect the company's capacity for the following reasons:

1. Reliability: The company contracts for capacity that designates a primary firm path that originates at supply receipt points outside of Florida to points of physical interconnection between the delivering pipeline and the company's distribution system. This capacity is considered "Primary Firm" and holds the highest scheduling priority with the delivering pipelines. In contrast, capacity that originates from a third party is likely delivered to the company's distribution system via a non-firm or a secondary firm path. "Secondary Firm" capacity is capacity contracted by another shipper on the delivering pipeline with a physical interconnection between the delivering pipeline and that shipper's facilities. The third-party marketer's capacity is redirected or scheduled to the company's distribution system during the daily nomination process on a "Secondary Firm" basis. This means that when the pipeline is scheduled full, Primary Firm nominations take priority over Secondary Firm nominations, and Secondary Firm nominations are subject to allocation by the delivering pipeline.

2. Price: The company's filing proposes to release capacity to ITS customers at its weighted average cost of capacity ("WACC"). This is based on the rates that the company has contracted with the delivering pipeline, which is typically based on a long-term contract. This means the WACC is not subject to much price volatility. It is also important to note that the company does not add any margin to the WACC. The terms and conditions under which a third-party marketer procures and prices capacity is not transparent to the company. However, the company does believe that transactions between third-party marketers and their customers reflect current market conditions at the time of the transaction. This means those transactions may be priced above or below the company's WACC. Additionally, the company also believes third-party marketers include a margin or fee to these transactions. Moreover, the market-based rates for new interstate capacity into the state of Florida are significantly higher than the company's existing WACC.

3. Flexibility: The company's capacity release provisions allow a customer to elect a commodity supplier and make changes to this election at any time. On the other hand, transactions between a third-party marketer and a customer typically lock or bind the customer into a transaction for capacity and commodity for the duration of their contract with that third-party marketer.