

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Review and)
Determination on the Project Construction)
and Gas Transportation Agreement By and) Docket No.: 160175-GU
Between NUI Utilities, Inc. d/b/a City Gas)
Company of Florida and Florida Crystals) Filed: May 24, 2017
Corporation dated April 24, 2001 and)
Approval of an Interim Service Arrangement)
_____)

**FLORIDA CITY GAS RESPONSES TO
STAFF'S SECOND SET OF DATA REQUESTS**

Request 1. Please refer to page 1 of Confidential Exhibits C-2B and C-2C. Please discuss in detail and provide supporting documentation to explain the differences between the values in Cells D16 and D20 in Exhibit C-2B, and Cells D16 and D19 in Exhibit C-2C. For spreadsheets provided, please ensure that all cell formulas are intact and unlocked.

FCG Response: The primary differences in the amounts are the result of using the 2003 rate case allocation factor for the East/West Pipeline for 2016 and the updated allocation factor for 2017 (which is discussed in more detail in the Response to DR 2, Request 2 below). In addition, the attached Excel workbook corrects for an error in the calculation of the 2016 Depreciation Expense. FCG is providing in electronic form the following spreadsheets: (1) Revised Confidential Exhibit C-2B (28.8 M); (2) Revised Confidential Exhibit C-2C (20 M); and (3) Compare Document, which is a comparative analysis prepared in the format of Exhibit C3B that provides the detailed calculation of the 2016 revenue requirement in Cell D16 on Exhibit C2B and C-2C and the 2017 revenue requirement in Cell D19 on Exhibit C 2B and Cell D19 on C-2C.

Request 2. For the following question, please refer to: (a) Confidential Exhibit C-3B (2017), page 2 of 5, Cell B17; (b) previously filed Confidential Exhibit No. 3, page 2 of 7, Cell B17; and (c) previously filed Confidential Exhibit No. 3A (2017), page 2 of 9, Cell B19.

Please explain in detail why FCG believes that the methodology used to determine the value presented in Exhibit C-3B is preferable to the prior methodologies used in the development of previously filed Exhibit Nos. 3 and 3A.

FCG Response: The original Petition Confidential Exhibit No. 3 was prepared using the City Gas 2003 rate case allocation factor for Clewiston or East/West Pipeline and the related costs.

When the Commission Staff served its First Set of Data Requests to FCG, FCG determined that there were updated costs for subsequent investments which were not reflected in cost numbers from the 2003 rate case. In addition, FCG updated the allocation factor based upon what the company believed was a more appropriate allocation methodology – FCG compared the

total annual Florida Crystals capacity to the total annual pipeline capacity. These updated costs and revised allocation methodology were used in the information presented in Confidential Exhibit No. 3A.

Prior to the settlement negotiations, FCG comprehensively reexamined the analysis presented in the original Petition exhibits and the data request responses in order to better understand the variance in results. As a part of that review, FCG determined that it had not captured all of the actual and potential volumes that could be transported. Significantly, the prior analysis did not include any excess capacity available for future customers. In addition, it was determined that a better measure of pipeline capacity is a methodology based upon the maximum hourly flow of Florida Crystals divided by the sum of the maximum flow requirements per hour for each customer that must be reserved plus the remaining capacity available, rather than looking at the total annual flow volumes.

In calculating available capacity, FCG determined that it was more appropriate to look at available capacity at the end of the pipeline rather than closer to the gate station. Pressures closer to the gate station are greater, meaning a new customer connecting closer to the station would be able to take a greater volume of gas than at the end of the pipeline. However, the more conservative approach for planning purposes is to look at capacity available at the end of the pipeline since at a minimum that volume will be available.

It is also important to note that in presenting this analysis in support of the proposed rates, FCG utilized the maximum daily flow guaranteed to Florida Crystals on a firm service basis under the Amended and Restated GTA and not the additional daily capacity that is available on an optional, interruptible or non-firm basis to Florida Crystals.

Request 3. Please refer to Confidential Exhibit D, pages 1, 4, 11, and 12. Please explain why the entries on pages 1 and 4 for the most recent calendar month presented duplicate the prior month's entries and do not use the actual values indicated on the source document included at pages 11 and 12. Please make any necessary adjustments to Exhibit D.

FCG Response: Yes, the entries were duplicated in error. Please see the attached revised Confidential Exhibit D (Rev. 5/24/17). Please note that the difference was slight and does not affect or change any results of FCG's analyses.

Request 4. Please refer to Confidential Exhibit D, pages 1, 3, 9, and 10. Please note the minor discrepancy between the entries on page 1, Cells B25 and F24; page 3, Cells O2, O8, O10, O14, O20, and O22, as compared to the actual billing units indicated on the source document included at pages 9 and 10. Please adjust Exhibit D accordingly to be correct going forward.

FCG Response: Please see the attached revised Exhibit D referenced in the Response to Request 3 above.

Request 5. Please refer to page 1 of Confidential Exhibit C-2C. Given that the values in Cells C13 through C16 are less than the values in Cells C19 through C33, please explain why FCG believes there is a reasonable likelihood that the values in Cells C19 through C33 will be equaled

or exceeded during the remaining term of the proposed Amended and Restated Gas Transportation Agreement (GTA).

FCG Response: In the Florida Crystals Response to Staff’s First Set of Data Requests to Florida Crystals, Request No. 2, Florida Crystals stated, “Florida Crystals currently projects that it will use approximately 20,000,000 therms of natural gas in 2017, and the same amount in 2018.” As is reflected in the information FCG provided in support of the Joint Petition, the volume of gas transported on behalf of Florida Crystals has increased substantially over the last several years. Thus, given the recent historical trends, the statements of Florida Crystals in its Data Request Responses and verbally in the public meetings with the Commission Staff, and the information gained through the negotiation process, FCG believes there is a reasonable likelihood that the values in Cells C19 through C33 will be equaled or exceeded during the remaining term of the proposed Amended and Restated GTA.

Beyond these facts, in FCG’s experience, a customer does not request availability of additional gas transportation capacity unless the customer has a reasonable expectation of need. As FCG related in its Petition initiating these proceedings, indications from Florida Crystals leading up to this docket were that Florida Crystals anticipated a substantial increase in natural gas transportation needs, and the actual volumes transported in recent years reinforce FCG’s projections. Moreover, the negotiation process reaffirmed a reasonable expectation of continued future growth in service to Florida Crystals. For Florida Crystals, it was imperative that it have access to the Maximum Daily Contract Quantity provided for in the Amended and Restated GTA, and this daily volume is reflected in the annualized numbers presented in Confidential Exhibit C-2B, for cells C21 to C34. In addition, Florida Crystals sought a further increase in potential transportation service, and this is the additional daily volume described in Section 8 of the Amended and Restated GTA. Together these transportation service requests only further reinforce the fact that the volumes identified in Confidential Exhibit C-2C are truly minimum volumes.

FCG appreciates that whether Florida Crystals meets or exceeds the 20,000,000 therms it identified for 2017 and 2018 may be impacted by the uncertainty that is inherent in these proceedings due to the relief FCG sought in its original Petition. Certainly future natural gas transportation for Florida Crystals is dependent upon the cost of gas and the cost to transport the gas. At the projected minimum gas volumes presented in Cells C19 through C33, the service to Florida Crystals is net positive for the duration of the contract period. While actual transportation volumes may not exceed what is projected for 2017 and 2018 (reflected in cells C19 and C20 of Exhibit C-2C), FCG believes that the Extended Term rates presented in the Amended and Restated GTA both recover FCG’s cost of service, including return, and provide appropriate and effective incentives for Florida Crystals to grow into the maximum potential volumes available that are available to it in the Amended and Restated GTA.

Request 6. Please refer to the redacted portion of Confidential Exhibit A, page 10 of 21, paragraph 9.D.(2). Please discuss whether FCG and Florida Crystals Corporation (Crystals) have developed a written procedure to enable the parties to agree on the elements to be included in the stated methodology that will be used to calculate potential adjustments to future volumetric rates. If so, please provide a copy of the written procedure. If not, please discuss the

process of how FCG and Crystals will work together to reach agreement on prospective volumetric rate adjustments.

FCG Response: FCG and Florida Crystals have not developed a written procedure because, at least for FCG, the terms of the methodology are clear on their face. This is a provision that carried forward from the original GTA, and in the course of the comprehensive review of the GTA leading to the drafting of the Amended and Restated GTA, the parties did not believe it was necessary to revise or update this section. Given the relationship of the parties, FCG expects that the parties should be able to resolve any implementation issues that may develop, recognizing that certain disputes may be brought to the Commission if there is an impasse.

Request 7. Please refer to page 9 of the instant petition requesting approval of the proposed Amended and Restated GTA, and to the unredacted portion of page 10, paragraph 9.D.(1) of Confidential Exhibit A attached thereto, both of which refer to the provision of additional gas transportation services on an interruptible basis. Please describe the types of circumstances under which FCG anticipates that the Company potentially might have to interrupt a portion of its service to Crystals during the remaining term of the proposed Amended and Restated GTA.

FCG Response: The intent of this language is to provide Florida Crystals with the opportunity to request additional transportation over and above the Maximum Daily Contract Quantity (“MDCQ”). If Florida Crystals requests the additional transportation, FCG can schedule it or else not schedule it if the capacity is not available. Describing this potential service as “interruptible” may be somewhat misleading, because once requested and scheduled, FCG will treat it as firm capacity whereas the usual interruptible customer may have service interrupted at any time as is set forth in the tariff.

This process is described in the unredacted portion of the Amended and Restated GTA on Page 8, paragraph 8, which provides that Florida Crystals shall have the right to schedule and receive transportation for an additional volume of gas per day above the Maximum Daily Contract Quantity, “provided, that Customer shall give Company appropriate notice (of volumes and other information reasonably requested by Company) by electronic mail or facsimile transmission to the Company’s Gas Control personnel identified in Section 21 of this Agreement no later than 12:00 P.M. on the day preceding the day on which Customer desires to schedule and receive any Interruptible Service volumes.” This section further states, “Company will notify Customer (or its Third Party Supplier) by 8 a.m. of the Gas Day on which delivery is requested if Company is unable to deliver all or a portion of the requested Interruptible Service volumes.”

Pursuant to this process, the additional gas transportation service to be provided will either be agreed to in advance or it will be denied in advance. The expectation is that by following this process of requesting and approving, both parties can reasonably plan for their business operations, and if agreed to, FCG will transport the gas. If FCG were to deny the advance request to schedule the additional volume, then technically it would not be interrupted because it would not be provided in the first place. In this sense, the “interruptible service” provided for in the Amended and Restated GTA may be more appropriately described as “non-

firm” in that Florida Crystals is not guaranteed the service unless requested and scheduled by FCG. Also, because this capacity is not a part of the MDCQ, it is not included in calculating the allocation of the pipeline to Florida Crystals.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been furnished by E-Mail on this 24th day of May, 2017, to the following:

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