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February 22, 2021

**VIA E-PORTAL FILING**

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

In Re: Petition for Approval of Tariff Modifications for Liquefied Natural Gas  
Service by Peoples Gas System, Docket No. 20200093-GU

Dear Mr. Teitzman:

This letter is to respectfully request a modification to the original filed petition to provide liquefied natural gas ("LNG") service by Peoples Gas System ("Peoples" or "Company") to resolve questions and concerns expressed during the September 2020 Agenda Conference. The attached amended proposed tariff removes any service associated with liquefaction of natural gas yet maintains Peoples' ability to provide storage and regasification service. By removing liquefaction service from the tariff, the average cost of LNG facilities that Peoples is proposing to build could be reduced by 40 to 60%. Peoples believes the removal of liquefaction addresses the primary concern identified at the agenda conference while still enabling commercial and industrial customers the opportunity to receive limited LNG service from the largest natural gas utility provider in the state. We believe the following information further explains why the Florida Public Service Commission ("PSC" or "Commission") should approve the revised tariff.

**Background**

In March 2020, Peoples filed the above-captioned Petition seeking approval from the Commission for Peoples proposed LNG service. The service was described in the proposed tariff sheets which were filed with the Petition. Generally, Peoples was seeking approval to provide a full range of LNG services to customers including liquefaction,

storage, and regasification. Peoples initially waived the sixty (60) day file and suspend provision per Florida Statutes. The PSC staff issued two (2) data requests and the Office of Public Counsel (“OPC”) issued one (1) set of interrogatories and a request to produce documents. There were two (2) noticed telephone conferences between the Commission and Peoples and a separate call which included OPC. On July 31, Eagle LNG, which is not a party but merely an interested person in the docket, submitted a letter to the Commission outlining its opposition to the tariff. Peoples responded to the letter in August and in advance of the September 1, 2020 Agenda Conference, Commission staff issued a recommendation in favor of the petition. During the September Agenda Conference, several Commissioners identified concerns about customer protections and the potential impact of the proposed LNG tariff on the general body of ratepayers.

### **Protections for the General Body of Ratepayers and Credit Evaluation**

#### ***Overall Cost Reduction from Removal of Liquefaction***

Liquefaction, which is the process of cooling natural gas to an extremely low temperature converting it to a liquid, is typically the most capital-intensive component of providing LNG service to a customer. By removing liquefaction from the proposed LNG tariff, Peoples will be limited to providing storage and regasification of LNG for customers. As noted above, Peoples’ removal of liquefaction from its proposed LNG service could reduce the cost of constructing facilities by 40 to 60% depending on the details of the particular project. Therefore, this reduction in facility cost significantly reduces the exposure to the Company and the general body of ratepayers if a counterparty default should ever occur.

#### ***Tariff Requirements – Counterparty Risk***

Peoples’ existing tariff provisions allow Peoples to obtain financial information and financial commitments from all customers including those seeking LNG service. A customer seeking LNG storage and regasification services from Peoples would be required to meet certain minimum financial requirements which would include demonstrating credit worthiness and financial viability (i.e., Long Term Debt rating, Moody’s rating, customer’s financial strength, etc.) and Peoples has the flexibility to impose more stringent requirements in the contract terms based on its overall financial evaluation of the customer’s portfolio. Peoples also has a number of tools, such as counterparty guarantees, deposits, letters of credit or other credit products, to protect the general body of ratepayers from an event of default or other counterparty risks. The evaluation and protection for ratepayers under the proposed LNG tariff will utilize the same tools and practices that Peoples has successfully deployed with gas transportation service, Compressed Natural Gas (“CNG”) service and Renewable Natural Gas (“RNG”) service.

#### ***Corporate Governance – Counterparty Risk***

Peoples has developed and maintains multiple layers of corporate governance to evaluate capital investments and commercial risk when contracting with a third party for service. This governance includes financial analysis performed at the highest level of Peoples, and its parent corporation, focused on evaluating the risk of default to protect the general body of ratepayers. Levels of authorization become more rigorous and involve the highest levels

of Peoples and Emera management as investment size increases. Any investment over \$10 million requires authorization by Peoples' Board of Directors. It is important to note that Peoples has a long and successful history of engaging in large capital projects with counterparties.

***Recovery of Costs***

The LNG tariff is designed so that the capital investment, cost to operate, and return on investment, are borne directly by the customer contracting for LNG service. Similar to the existing RNG and CNG tariffs, the LNG customer charges will be based on a cost-of-service model of the revenue requirement specific to the project which will be allocated directly to the customer contracting for service. There will be no cross subsidization by the general body of ratepayers for Peoples' LNG projects, which is also consistent with the Company's RNG and CNG tariffs.

***Options in the Unlikely Event of a Default***

In the unlikely event of a customer default, Peoples would pursue the full range of legal and equitable remedies provided for in the contract and at common law. Depending on the timing of an event of default, Peoples may have already recovered a substantial portion of the project costs under the contract. The physical LNG assets would be owned by Peoples and would have value and would likely be able to be repurposed. If Peoples were to still have remaining unrecovered costs, the Company would need to seek approval from the PSC before those costs could be included in rate base and applied to the general body of ratepayers. In that process, the Commission would determine whether Peoples investment in the LNG project at issue was a reasonable and prudent investment and whether the Company had fully exhausted all steps to limit the impact on the general body of ratepayers.

**The Revised Tariff Addresses Eagle LNG's Concerns about Competitive Markets**

Peoples and Eagle LNG have been in discussions to address the concerns that Eagle LNG has voiced to the Commission. As a result of those discussions, Peoples made the decision to remove liquefaction service from the proposed tariff.

Peoples' pursuit of the revised LNG tariff does not have a negative effect upon market competition but instead merely allows Peoples to become another provider in the marketplace, albeit one that is limited to providing LNG storage and regasification service. The removal of liquefaction service from the tariff will require that any customer seeking storage and regasification service from Peoples will still have to procure LNG supply from other providers in the market such as Eagle LNG. Peoples ability to provide storage and regasification projects will expand options for industrial and commercial customers in Florida and strengthen the LNG market for all participants.

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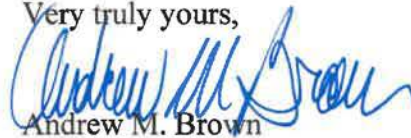
### **Conclusion**

The removal of liquefaction as an element of service in the attached amended tariff significantly reduces the exposure to the Company and the general body of ratepayers if a counterparty default ever occurs. Peoples' and Emera's in-depth financial analysis and credit requirements will operate to protect the general body of ratepayers. Both companies have a long history of successfully evaluating projects and the financial status of customers. Peoples respectfully requests the Commission to take that history into consideration when evaluating whether to approve this Petition.

The amended tariff provides Peoples the opportunity to offer customers LNG storage and regasification which will strengthen reliability, mitigate supply disruptions, and improve economic stability for customers.

Peoples would be happy to address any questions or provide additional information that the Commission Staff may request.

Very truly yours,



Andrew M. Brown

AB/plb

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## LIQUIFIED NATURAL GAS SERVICE Rate Schedule LNG

### **Availability:**

This rate schedule is available to any Customer for the purchase of Liquefied Natural Gas ("LNG") service from Peoples Gas System throughout the service areas of the Company.

### **Applicability:**

Applicable to Customers requesting liquefied natural gas services through storage of LNG, regasification of LNG to natural gas, and/or non-pipeline distribution of LNG ("LNG Service") for customer market segments including, but not limited to: (1) use as a transportation fuel, including marine markets, rail, auto, jet propulsion and other transportation customers, (2) use to increase system reliability, peak shaving and to increase resiliency of their facilities, (3) Customers that cannot be served by pipeline by PGS for any reason, including without limitation, time to construct the pipeline, cost of constructing pipeline, remote location, reliability/resilience and intermittent demand and (4) LNG loaded by ISO containers and exported to foreign markets pursuant to a valid export license. LNG Service under this Schedule is contingent upon arrangements mutually satisfactory to the Customer and Company for the design, location, construction, ownership, and operation of facilities required for the Company's provision of LNG Service.

### **Rate:**

LNG Service facilities installed under the provisions of this schedule shall be owned, operated and maintained by the Company unless otherwise agreed to in an agreement for services between the parties. The rate for LNG Service supplied hereunder shall consist of a Monthly Services Charge and the transportation and delivery of natural gas under the Company's applicable Rate Schedules for General Service, Interruptible Service or Wholesale Service.

### **Monthly Services Charge:**

The Monthly Services Charge shall be set forth in the agreement between the parties and unless otherwise specified in the agreement shall be billed in monthly installments over the term of this Agreement. The rate structure of the Monthly Services Charge shall be designed to recover the cost of service required to provide LNG Service to Customer. The rate structure includes, but is not limited to depreciation, return on capital, taxes and operational expenses, fuel used to operate facilities and electric costs to operate the facility. As used in this schedule, LNG Service facility costs to be recovered means the total installed cost of such LNG facilities, as determined by Company, which may include but are not limited to compressors, heat exchangers, pumps, aftercoolers, filters, drivers, control valves (JT), vacuum insulated piping, instrumentation, vaporizers, fire protection equipment, safety equipment, monitoring equipment, truck scales, vent and flare systems, waste water disposal systems, instrument air, power, communications, N2 systems, quality monitoring equipment, storage, controls, piping, metering, propane injection, and any other related appurtenances, including any redundancy necessary to provide reliable LNG Service, before any adjustment for accumulated

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depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase LNG Service for a minimum period of time, to take or pay for a minimum amount of LNG 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 Customer's monthly minimum charge under this Rate Schedule shall be the Monthly Services Charge.

**Special Conditions:**

1. All charges listed above are subject to applicable federal, state, or local taxes.
2. LNG Services provided hereunder shall be available only in connection with LNG that
  - a. will be consumed in the State of Florida, or
  - b. if not consumed in Florida,
    - i. will not be vaporized for further transportation in interstate commerce by pipeline after its delivery to Customer by the Company pursuant to this Rate Schedule, and
    - ii. will not be involved in a gas exchange or gas transportation by displacement transaction that would be deemed to circumvent the Federal Energy Regulatory Commission's jurisdiction, under the Natural Gas Act, over the interstate transportation of gas by pipeline.
3. The rates set forth under this schedule shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5.
4. Service under this schedule shall be subject to the Rules and Regulations set forth in this tariff.

## LIQUIFIED NATURAL GAS SERVICE Rate Schedule LNG

### Availability:

This rate schedule is available to any Customer for the purchase of Liquefied Natural Gas ("LNG") service from Peoples Gas System throughout the service areas of the Company.

### Applicability:

Applicable to Customers requesting liquefied natural gas services through ~~liquefaction of natural gas~~, storage of LNG, regasification of LNG to natural gas, and/or non-pipeline distribution of LNG ("LNG Service") for customer market segments including, but not limited to: (1) use as a transportation fuel, including marine markets, rail, auto, jet propulsion and other transportation customers, (2) use to increase system reliability, peak shaving and to increase resiliency of their facilities, (3) Customers that cannot be served by pipeline by PGS for any reason, including without limitation, time to construct the pipeline, cost of constructing pipeline, remote location, reliability/resilience and intermittent demand and (4) LNG loaded by ISO containers and exported to foreign markets pursuant to a valid export license. LNG Service under this Schedule is contingent upon arrangements mutually satisfactory to the Customer and Company for the design, location, construction, ownership, and operation of facilities required for the Company's provision of LNG Service.

### Rate:

LNG Service facilities installed under the provisions of this schedule shall be owned, operated and maintained by the Company unless otherwise agreed to in an agreement for services between the parties. The rate for LNG Service supplied hereunder shall consist of a Monthly Services Charge and the transportation and delivery of natural gas under the Company's applicable Rate Schedules for General Service, Interruptible Service or Wholesale Service.

### Monthly Services Charge:

The Monthly Services ~~Charge Fee~~ shall be set forth in the agreement between the parties and unless otherwise specified in the agreement shall be billed in monthly installments over the term of this Agreement. The rate structure of the Monthly Services ~~Charge Fee~~ shall be designed to recover the cost of service required to provide LNG Service to Customer. The rate structure includes, but is not limited to depreciation, return on capital, taxes and operational expenses, fuel used to operate facilities and electric costs to operate the facility. As used in this schedule, LNG Service facility costs to be recovered means the total installed cost of such LNG facilities, as determined by Company, which may include but are not limited to ~~blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, pumps, interstage and aftercoolers, heavy constituent knockout equipment, filters, turbo expanders, liquid/vapor separators, distillation columns, fractionators, drivers, control valves (JT), vacuum insulated piping, condensers, accumulators, instrumentation, vaporizers, fire protection equipment, safety equipment, monitoring equipment, truck scales, vent and flare systems, waste water disposal systems, instrument air, power, communications, fuel gas, N2 systems, gas constituent removal equipment, quality monitoring equipment, storage, controls, piping, metering,~~

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

Effective:

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propane injection, and any other related appurtenances, including any redundancy necessary to provide reliable LNG 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 LNG Service for a minimum period of time, to take or pay for a minimum amount of LNG 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 Customer's monthly minimum charge under this Rate Schedule shall be the Monthly Services **Reservation** Charge.

**Special Conditions:**

1. All charges listed above are subject to applicable federal, state, or local taxes.
2. LNG Services provided hereunder shall be available only in connection with LNG that
  - a. will be consumed in the State of Florida, or
  - b. if not consumed in Florida,
    - i. will not be vaporized for further transportation in interstate commerce by pipeline after its delivery to Customer by the Company pursuant to this Rate Schedule, and
    - ii. will not be involved in a gas exchange or gas transportation by displacement transaction that would be deemed to circumvent the Federal Energy Regulatory Commission's jurisdiction, under the Natural Gas Act, over the interstate transportation of gas by pipeline.
3. The rates set forth under this schedule shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5.
4. Service under this schedule shall be subject to the Rules and Regulations set forth in this tariff.