



MACFARLANE FERGUSON & MCMULLEN

ATTORNEYS & COUNSELORS AT LAW EST. 1884

One Tampa City Center, Suite 2000
201 N. Franklin Street
P.O. Box 1531 (33601)
Tampa, FL 33602
813.273.4200 Fax: 813.273.4396

WWW.MFMLEGAL.COM
EMAIL: INFO@MFMLEGAL.COM

625 Court Street, Suite 200
P.O. Box 1669 (33757)
Clearwater, FL 33756
727.441.8966 Fax: 727.442.8470

In Reply Refer to:
Tampa
ab@macfar.com

April 8, 2021

VIA E-PORTAL FILING

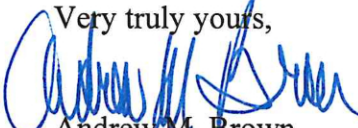
Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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

Dear Mr. Teitzman:

Attached for electronic filing in the above docket, on behalf of Peoples Gas System,
please find its Notice of Intent to Request Confidential Treatment.

Your assistance in this matter is greatly appreciated.

Very truly yours,

Andrew M. Brown

AB/plb

cc: Walt Trierweiler, Esq. (wtrierwe@psc.state.fl.us)
Richard Gentry, Esq. (gentry.richard@leg.state.fl.us)
Stephanie Morse, Esq. (morse.stephanie@leg.state.fl.us)
Ms. Paula K. Brown
Ms. Kandi Floyd
Derrick MacDonald, CPA
Thomas R. Farrior, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of Tariff Modifications :
for Liquified Natural Gas Service by Peoples : Docket No.:20200093-GU
Gas System : Submitted for Filing: April 8, 2021

**PEOPLES GAS SYSTEM's
NOTICE OF INTENT TO REQUEST CONFIDENTIAL TREATMENT**

Pursuant to Sections 366.093 and 119.07, *Florida Statutes* and 25-22.006, *Florida Administrative Code*, Peoples Gas System ("Peoples") submits the following Request for Confidential Treatment of Response to Paragraph 1c of Peoples' Response of April 5, 2021 to Staff's Third Data Request dated March 24, 2021 (the "Response").

1. Attached hereto as Exhibit A is a copy of the Response with portions redacted.

2. The material for which confidential classification is sought is intended to be and is treated as private by Peoples because it contains proprietary confidential business information under Section 366.093(3), *Florida Statutes*.

3. Peoples requests that the information for which it seeks confidential classification not be declassified until 18 months after the date of the Commission's order granting this request (see Section 366.093(4), *Florida Statutes*). The time period requested is necessary to protect the competitive information regarding the pricing of Peoples' proposals for the installation and operation of LNG facilities. The period of time requested will ultimately protect Peoples and its customers.

WHEREFORE, Peoples submits the foregoing as its request for confidential treatment of the information identified in Exhibit A to this request.

Respectfully submitted,



ANDREW M. BROWN, ESQ.

Phone: (813) 273-4209

E-mail: ab@macfar.com

THOMAS R. FARRIOR, ESQ.

Phone: (813) 273-4232

E-mail: trf@macfar.com

Macfarlane Ferguson & McMullen

P. O. Box 1531

Tampa, Florida 33601-1531

Fax: (813) 273-4396

Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing has been furnished via electronic mail, this 8th day of April, 2021, to the following:

Walt Trierweiler
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
wtrierwe@psc.state.fl.us

Kandi Floyd / Paula K. Brown
Regulatory Affairs
Peoples Gas System
P.O. Box 111
Tampa, FL 33601-0111
kfloyd@tecoenergy.com
regdept@tecoenergy.com

Office of Public Counsel
Richard Gentry
Stephanie Morse
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400
gentry.richard@leg.state.fl.us
morse.stephanie@leg.state.fl.us



Andrew M. Brown, Esq.

EXHIBIT A

REDACTED COPIES

**PEOPLES GAS SYSTEM
DOCKET NO. 20200093-GU
STAFF'S THIRD DATA REQUEST
REQUEST NO. 1
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FILED: APRIL 8, 2021**

1. In its petition, Peoples states that it has removed liquefaction services from the proposed tariff, and in doing so, the Company anticipates that the overall construction costs could be reduced by 40 to 60 percent.
 - a. Please provide details regarding how the Company determined the anticipated cost reduction percentage.
 - b. Please update Peoples' response to staff's first data request No. 3 to incorporate the proposed tariff modifications.
 - c. Please update Peoples' response to staff's first data request No. 7 to incorporate the proposed tariff modifications.

- A.
 - a. The capital and operating cost for an LNG facility will depend upon the size of the LNG storage facility. Converting natural gas to liquefied natural gas is a highly capital intensive process with significant operating costs. The operating costs associated with liquefaction include the amount of electricity required for the liquefaction process, increased fuel costs and an increased number of personnel required to operate and maintain a liquefaction plant. These operating costs are not present in operating an LNG storage facility and constitute a large portion of the overall project costs of an LNG facility with liquefaction compared to an LNG storage facility without liquefaction. Peoples has determined the anticipated cost reduction percentage by evaluating existing and proposed LNG liquefaction and storage facilities in Florida, and has consulted with contractors and engineering firms to provide capital and operating cost estimates for different sized facilities to confirm Peoples' estimates.
 - b. The range of construction costs for an LNG facility can vary depending on the location, service(s) (storage and re-gasification), and capacity of the facility. Some facilities may include all of these services, whereas others may only have storage facilities. The storage facility requirements significantly impacts the cost to construct a facility. Peoples expects a typical facility will cost between \$5 million and \$35 million. However, an LNG facility with larger LNG storage than typical LNG facilities would have construction costs greater than this range. These larger projects typically serve the needs of energy production or high-volume maritime shipping needs. It is anticipated that long-term contracts with creditworthy

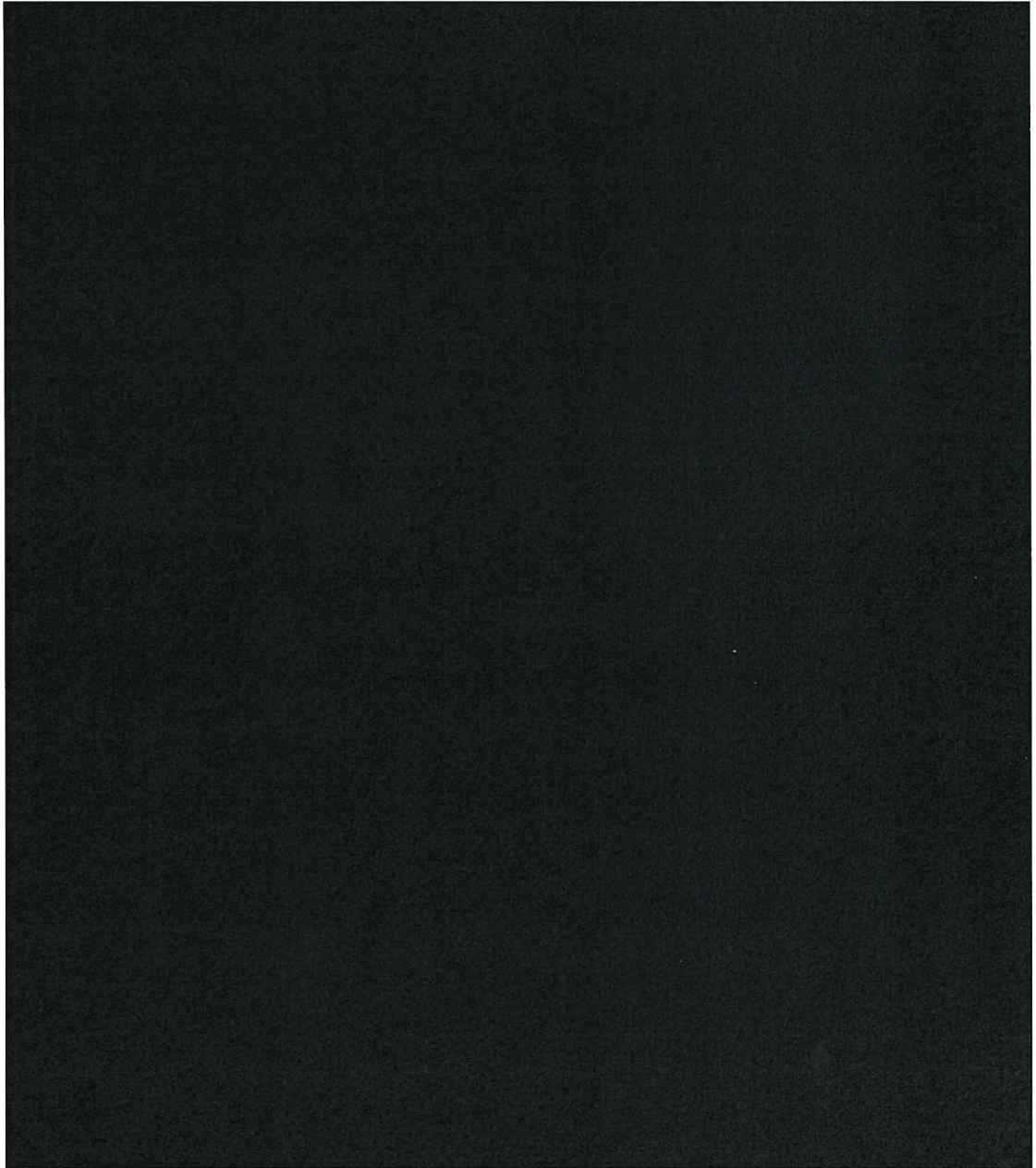
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counterparties will support the LNG projects and cover the costs of building, operating, and maintaining these facilities.

- c. Since each project will vary in its scope, scale and type of facility, the project's unique characteristics will drive the calculation for the monthly service charge. The hypothetical example below assumes a capital investment of \$12,000,000 with the customer procuring its own fuel. This calculation is predicated on a cost-of-service model designed to recover Peoples' revenue requirement and associated O&M expenses related to the LNG facility. This model has also been revised to reflect the new life of the LNG asset for depreciation purposes, the new ROE, and the new debt to equity ratio as per the Settlement Agreement approved by the Florida Public Service Commission in Order PSC-2020-0485-FOF-GU dated December 10, 2020.

REDACTED

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- 2.** As noted in your petition, several Commissioners expressed concerns at the September 2020 Agenda Conference about the tariff language and the potential risk to the general body of ratepayers. Outside of removing the liquefaction service language from the tariff, please explain how the proposed modified tariff language would alleviate these concerns.

- A.** Peoples' removal of the liquefaction portion of the proposed LNG tariff significantly reduces the cost of such projects and therefore significantly reduces the magnitude of risk to the Company and its ratepayers. The reduced project cost, Peoples financial evaluation of projects and counterparties, and the financial guaranties the Company can include in a customer contract such as requiring the customer to furnish a guarantee (e.g. a surety bond, a letter of credit, or another means of establishing credit), and/or to comply with other provisions as determined appropriate by the Company, provides protections and assurances that should help to alleviate the Commissions' concerns about the risk to ratepayers. Finally, Peoples will be evaluating these projects with the understanding that no costs would be able to be passed on to the general body of ratepayers without Commission approval of such an action in a rate proceeding.

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3. In Docket 20200216-GU, Florida City Gas included the following language in its Renewable Natural Gas tariff No. 74.1:

Service under this Rate Schedule is contingent upon the Company and the Customer entering a mutually satisfactory RNG Service Agreement; provided, however, that in no event shall the service provided to the Customer under this Rate Schedule cause any additional cost to the Company's other rate classes.

Would Peoples be willing to include such language in its proposed tariff No. 7.406? Please explain.

- A. Yes, Peoples is willing to commit to the concept that entering into a contract with an LNG customer would not result in an increase in any of the Company's other rate schedules as a means of helping to pay the cost of LNG service under a contract. However, Peoples is concerned that the above quoted language from the Florida City Gas RNG tariff could be interpreted more broadly than intended.

Peoples intends that the Company and the LNG customer would agree on a customer charge based on the cost of providing LNG service to the customer and that charge would provide the revenue to pay for the LNG service and a reasonable rate of return for Peoples.

Peoples would be willing to agree to a modified version of the Florida City Gas RNG tariff which states:

Service under this Rate Schedule is contingent upon the Company and the Customer entering a mutually satisfactory LNG Service Agreement. Peoples' entry into an LNG Service Agreement with a Customer and the provision of LNG services pursuant to the LNG rate schedule with that Customer will not cause any additional costs to the Company's other rate classes.