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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200093-GU

Petition for approval of
tariff modifications for
liquified natural gas service
by Peoples Gas System.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 12

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER ANDREW GILES FAY
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, June 15, 2021

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DANA W. REEVES
Court Reporter and
Notary Public in and for
the State of Florida at Large

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1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. Item No. 12,
3 petition for approval of tariff modifications for
4 LNG service by People's Gas System. Mr. Futrell,
5 would you introduce the item, please.

6 MR. FUTRELL: Yes, sir, Mr. Chairman. Peoples
7 originally proposed the tariff that would allow the
8 company to enter into an agreement with the
9 customer to construct and operate a facility to
10 liquefy natural gas, provide storage for LNG and to
11 regasify LNG. Customer enrolled in this tariff
12 would continue to pay Peoples' applicable rates,
13 clauses, riders and taxes with a monthly service
14 charge which would be calculated based on Peoples'
15 gross investment in the LNG facilities. The
16 contract would require all capital and operational
17 costs to be borne by the customer through the
18 monthly services charge and fully satisfied within
19 the term of the contract.

20 The Commission considered the original
21 petition and tariff at the September 2020 agenda
22 conference. The item was deferred to allow the
23 company time to modify its petition and address
24 concerns raised by commissioners, the Office of
25 Public Council and other parties. In

1 February 2021, Peoples filed a modification to its
2 original petition, including an amended LNG tariff.
3 In its modified filing, the utility stated it would
4 no longer offer liquefaction service, only the
5 storage and regasification of LNG. Company
6 estimates this modification should reduce the
7 overall cost for these projects by 40 to
8 60 percent. In addition, the amended tariff
9 includes a provision that addresses ratepayer
10 protections. All of the requirements in the
11 original tariff are included in the amended tariff.

12 Representatives of Eagle LNG partners,
13 Nopetro, CH4 Holdings and the Office of Public
14 Council would like to address the Commission.
15 Representatives of Peoples Gas are available to
16 respond to questions, as is staff.

17 CHAIRMAN CLARK: All right. We have several
18 folks going to speak. Mr. Self and then Mr. Moyle
19 and then OPC, I believe, are on my list to speak.
20 So, Mr. Self, I'll let you begin.

21 MR. SELF: I think, Mr. Chairman, we were
22 going to let OPC go first.

23 CHAIRMAN CLARK: Okay. No problem. OPC, are
24 you on the line?

25 MS. MORSE: Yes, we are. Thank you. This is

1 Stephanie Morse.

2 CHAIRMAN CLARK: You are recognized.

3 MS. MORSE: Thank you, Mr. Chair. Good
4 morning, Commissioners. Good morning,
5 Commissioners, and thank you for the opportunity to
6 comment. OPC appreciates the work PGS has done in
7 amending the tariff and we commend staff for
8 reminding the parties of helpful language regarding
9 ratepayer protections that's been used in other
10 dockets.

11 It appears the risk to customers would be
12 decreased in the amended tariff. However, we are
13 aware the risks to customers are not eliminated.
14 While the amended tariff goes a long way in the
15 right direction, we would not be opposed to the
16 Commission, in its discretion, proposing additional
17 safeguards to protect customers. At a minimum, the
18 Commission could express that the burden of
19 imposing any residual cost on customers could
20 involve an extremely high bar, along the lines of
21 extraordinary and compelling circumstances.
22 Additionally, the Commission could require the
23 asset cost and expenses to be segregated in a
24 subaccount with the provision there would be no
25 presumption of recovery of customers of any

1 residual or stranded LNG costs in the event of a
2 commercial failure, meaning recovery from the
3 general body of customers, in the event of a
4 commercial failure.

5 So the Commission might want to at least
6 require that the cost of competitive entry into the
7 LNG business, both capitol and expense, be recorded
8 in a separate account. OPC remains concerned about
9 a situation where a regulated entity is engaging in
10 competitive free-market activity and is still using
11 the general body of customers as a potential
12 backstop to cover a worst-case scenario, however
13 unlikely the utility thinks that would be. And we
14 do note for the record that the Southern Company's
15 apparent decision to get into LNG on its
16 nonregulated side, instead of the regulated side,
17 you know, which appears to be a best or better
18 practice.

19 And, finally, despite the beginnings of
20 economic recovery in most parts of the United
21 States, this is still an uncertain time with some
22 parts of the world still seeing spikes of
23 infections and variants. Just this week reports
24 were that St. Kitts in the Caribbean, for example,
25 announced new restrictions in an attempt to stop

1 the spread of COVID-19 there.

2 You know, this fuel, it's fairly subject to
3 global market concerns. And even the best times
4 and the big picture, natural gas historically has
5 been subject to some volatility. On occasion, the
6 LNG market specifically has experienced volatility.
7 So, OPC encourages caution on behalf of customers
8 during this already uncertain time. Many customers
9 are still trying to dig themselves out of the
10 economic hole caused by the pandemic of the last
11 year.

12 So, in closing, Commissioners, thank you --
13 thank you very much for your consideration of the
14 customer's interests.

15 CHAIRMAN CLARK: All right. Thank you very
16 much, Ms. Morse. Mr. Moyle.

17 MR. MOYLE: Thank you, Mr. Chair. Jon Moyle
18 from the Moyle Law Firm on behalf of Eagle LNG.
19 Company representatives are on the phone monitoring
20 in, but I want to make some comments. And since we
21 last addressed the Commission, it was virtually,
22 back in September. There has been some changes,
23 thankfully, including that we are now here before
24 you in person with a full slate of Commissioners.
25 So we also have two commissioners who did not have

1 the benefit of the arguments made back in
2 September, so I'm going to take a little time and
3 just try to provide some information about LNG.
4 And know in this arena there are a lot of acronyms
5 and people that come in are throwing acronyms all
6 the time, but LNG, just for the record, is
7 liquefied natural gas. And the thing that makes,
8 in my view, the unique characteristic of it is, is
9 that when it's liquefied you can take a lot of gas
10 and move it, and it's not subject to being
11 transported by things that typically characterize a
12 monopoly, like transmission lines for electricity
13 or pipes for water, or pipes for natural gas. This
14 LNG can be moved by truck, by barge. So, really,
15 the characteristics that usually accompany
16 regulation by the Commission are removed from this.
17 The thing that stuck with me was when I was
18 speaking with the client they said, Jon, think of
19 it this way, when we liquefy this, when you take --
20 if you take a beach ball's worth of natural gas in
21 its gas state and you liquefy it, it turns into the
22 size of a golf ball.

23 So I think that's important to remember and it
24 allows the ability for people to get in and compete
25 in this arena. My client, Eagle, has facilities in

1 Jacksonville. They're a big customer of PGS
2 presently. And there are a lot of LNG entities in
3 Florida. Mr. Floyd is representing one. There are
4 other interested parties in this docket, which I
5 believe argues that there is competition in a
6 competitive market in this arena.

7 A few points -- we made these in a letter that
8 we filed on July 31st, but we believe because
9 there's no natural monopoly that this is not an
10 appropriate area for the Commission to step in and
11 regulate. It's not necessary. As you heard the
12 Office of Public Council say that there are other
13 examples of energy companies wanting to get into
14 this arena using non-affiliated subsidiaries and we
15 have no problem with that. If PGS wants to get
16 into this -- not PGS. It would actually be their
17 parent, Emera wants to get in this. They're free
18 to form a nonregulated subsidiary, like the
19 Southern Company did, and get into the market and
20 compete.

21 There are concerns about ratepayer risk. This
22 was articulated a lot the last time this was
23 discussed, that this tariff really should not act
24 as a financial backstop for the business decisions
25 that are made in the LNG arena. My client, Eagle,

1 doesn't have a financial backstop of a third party
2 that they can look to if a business decision is
3 made that it does not turn out, and nor should PGS
4 have that financial backstop in this competitive
5 arena.

6 You know, I thought it would be helpful just
7 to share. So my client, again, they're a customer
8 of PGS. They operate in Jacksonville. They buy a
9 lot of natural gas from PGS. And PGS makes money
10 when they sell my client natural gas. It seems
11 awkward, to say the least, that my client is then
12 having to find itself competing with the regulated
13 entity that's providing it gas, and then also
14 potentially being looked to to subsidize the
15 operations of the LNG services, if business
16 decisions are made that do not work out.

17 So those are fundamental concerns that remain.
18 We do recognize that some changes have been made,
19 but -- you know, the changes, while an improvement,
20 are not great. They don't fundamentally change the
21 points that we have articulated that we believe
22 sets forth a strong argument why this is not
23 something that the Commission should either approve
24 or, I believe, the Commission arguably has the
25 ability just to decline to exercise jurisdiction.

1 Say, no, we don't want to get in the middle of
2 this. It's a competitive market. Let's let it
3 develop, you know, bring it back to us if it
4 doesn't.

5 And, finally, a lot of your decisions are
6 imbued with what is in the public interest. And
7 the public interest, I would argue, is best served
8 by not coming in and asserting jurisdiction and
9 regulating this LNG industry. You know, the
10 benefit to the ratepayers is not terribly
11 significant. They're big customers that staff
12 recommends, acknowledges, acknowledges they're big
13 customers. PGS has argued, well, it's more
14 efficient if we do it this way. I think,
15 Mr. Chair, in our last discussion I think you came,
16 made the point that competition is a pretty good
17 measure of efficiency and brings out efficiencies
18 and the Commission has recognized this in its case
19 law before to say, we don't need to regulate if
20 there's competition, but in terms of the public
21 interest, having ratepayers be on the hook for
22 subsidizing, that, arguably, is not in the public
23 interest. Regulating in an area that's not a
24 natural monopoly. We don't think that's in the
25 public interest.

1 So, for those reasons, we can't support it as
2 revised and would ask that it not be something that
3 you support either. So thank you for the chance to
4 make some comments and I'm happy to entertain any
5 questions that you may have.

6 CHAIRMAN CLARK: Thank you, Mr. Moyle. Mr.
7 Self.

8 MR. SELF: Thank you, Mr. Chairman. Good
9 morning, Commissioners. It's nice to see you all
10 in person after such a long absence.

11 You know, we've heard about the protections
12 that are occurring on the back end and the staff
13 has done a pretty good job of stating in the
14 recommendation some of the safety considerations
15 that they put into and some strong language about
16 what happens if PGS makes a bad decision, you know,
17 on the back end how the Commission will deal with
18 that. But, quite frankly, the real issue here
19 today is not what happens on the back end. It's
20 what happens on the front end when they go out into
21 the marketplace, because make no mistake about it,
22 you are providing PGS with an unfair advantage in
23 the marketplace. If you approve this tariff, you
24 are telling the world that the State of Florida and
25 the Florida Public Service Commission stand behind

1 PGS and how they're going to be providing this
2 service. In fact, they will even point to the
3 various considerations and the client's
4 requirements that their tariff has as support for
5 the idea that the Commission is standing behind and
6 is going to be looking over their shoulder, making
7 sure that they're making a good deal with that
8 prospective client.

9 Now, from time to time, perhaps you have and I
10 think maybe most people in this room, myself
11 included, have said that the Public Service
12 Commission may be the most important agency in the
13 State of Florida that no one knows about. But the
14 reality of the situation is is that people in this
15 sector, the potential customers and the parties,
16 the PGS, just like Eagle, just like Nopetro, are
17 going to be working with -- they know about the
18 Public Service Commission. They know that this is
19 a good Commission that works hard and that takes
20 its jurisdiction seriously. And so by approving
21 this tariff, you are, in fact, telling the world
22 that it's good to do business and you are, in fact,
23 providing an advantage that Eagle and Nopetro
24 certainly don't have.

25 As you've heard, if PGS is interested in

1 providing this business, that's fine. Another
2 competitor we welcome. Another competitor that's
3 on the same level playing field as Eagle and
4 Nopetro have to deal with. But if they're going to
5 do that, they should do it on the same level
6 playing field that we have to operate on, not have
7 the ratepayers there as a backstop, not have the
8 Commission there as the entity saying, this is
9 good. You're picking winners and losers by
10 approving this tariff and that's not your job.

11 So, as Mr. Moyle has said and the Public
12 Council has said, if they're going to do this, they
13 should be able to -- they should do it if they want
14 to, but they should do it outside the regulatory
15 bubble as a separate entity.

16 Mr. Chairman, I apologize. At the beginning I
17 should have said I'm Floyd Self with the Berger
18 Singerman Law Firm appearing on behalf of Nopetro.
19 Thank you.

20 CHAIRMAN CLARK: Thank you, Mr. Self.

21 All right. Any other -- any other comments?

22 MR. BROWN: If I could just briefly address
23 what's been said here, I think it may help,
24 hopefully, with Commissioner questions, if you
25 don't mind.

1 CHAIRMAN CLARK: Yes, sir.

2 MR. BROWN: I'm Andy Brown of the Law Firm of
3 McFarlane Ferguson in Tampa representing Peoples
4 Gas. With me are Luke Buzard, the Vice President
5 of Regulatory, and Kandi Floyd, the Director of
6 Regulatory.

7 Let me first by start by thanking the staff
8 who had to go through this process twice and
9 prepare this for an agenda conference twice, but I
10 think a lot of the things that the staff came up
11 with, particularly one of the changes I'm going to
12 talk about in a moment, have been particularly
13 helpful in moving forward on this docket.

14 The changes that Peoples has put into place in
15 changing its proposed LNG tariff potentially
16 address the concerns that have been raised by the
17 intervenors -- or not intervenors. They are merely
18 interested parties, and the OPC and the Commission
19 and the staff. The first important change is the
20 elimination of the liquefaction as part of the
21 tariff. And that's important for a couple of
22 reasons. The way the process works is the gas
23 comes in. It has to be liquefied and they liquefy
24 it by supercooling it to some ridiculously low
25 temperature and it becomes a liquid. And

1 originally Peoples wanted to be in that process as
2 part of what they wanted to do for the customers.
3 The rationale being that they wanted to be a
4 complete provider of natural gas services for their
5 customers and their customers had approached them
6 about that. That portion has been eliminated and
7 that does two important things. First of all, it
8 significantly reduces the cost of these projects.
9 That, in turn, significantly lessens the risk for
10 the customers in the event of a default, in the
11 event of some other situation, because the cost --
12 it reduces the cost by 40 to 60 percent depending
13 on how big a tank you have and things of that
14 nature.

15 The other thing that it does is that it
16 requires now that any customer has to still go to
17 the Nopetro's and Eagle's of the world. One of the
18 concerns that was raised in the prior agenda
19 conference was that Peoples would have greater
20 insight as to who these customers were, because the
21 customers would typically call their gas company if
22 they were interested in LNG -- on-site LNG storage.
23 And so, as a result of eliminating the liquefaction
24 portion, those customers are going to have to
25 contact somebody like Nopetro or Eagle in order to

1 get the liquefaction done. And when that happens,
2 in the real world what's going to happen is that
3 Eagle and Nopetro are going to say, hey, we'd like
4 to do the whole thing for you, we'd like to do the
5 storage tanks, as well. And so one of the concerns
6 was that they would simply not have access to those
7 customers. They wouldn't know about those
8 customers. Peoples would have greater access, and
9 that's now been eliminated. So that's an important
10 step that's been taken in this tariff, proposed
11 tariff. The elimination of liquefaction is very
12 important for those two reasons.

13 The second important change was that was at
14 the suggestion of staff, and that was to include
15 language, which I believe was in -- I'm blanking --
16 I think was in the City Gas petition -- RNG
17 petition, that essentially says that entry into any
18 contract with a particular customer will not result
19 in a rate increase for other customer classes, and
20 that's very important. In other words, this is not
21 going to be a situation where there's -- the
22 customers are backstopping this deal by providing
23 backup in case the -- Peoples enters into a bad
24 contract that end up not making money.

25 By the terms of the tariff -- and this was

1 suggested by your staff and probably came down from
2 the Commission for all I know -- by its very nature
3 by entering into that contract, if Peoples does not
4 do a good job of figuring out what the cost of that
5 should be and how to handle that cost, it's a
6 cost-of-service model that essentially the
7 customer's paying for all of the construction, then
8 they are not going to be able to raise other rate
9 classes based on that. And so this is not -- the
10 customers are not backing this in that sense.
11 There's not going to be the opportunity to suddenly
12 raise GS5 or GS4 rates based on the fact that the
13 contract is not making money or that there's a
14 shortfall under that contract. And so that's a
15 very important change.

16 The other thing that was made clear is that in
17 the event of a default, which -- and I don't want
18 to go into how unlikely I believe that would be and
19 we've already talked about that in previous
20 filings -- they have indicated that any attempt to
21 have a rate increase based on that is going to be
22 judged with great scrutiny. And so I think it is
23 fair to say that it's not -- you know, that's going
24 to be looked at very long and hard by this
25 Commission and any attempt to raise rates is going

1 to have to be approved by the Commission. Any
2 attempt to try to put this on the ratepayers is
3 going to have to be approved by the Commission.
4 The Commission and its staff will have the
5 opportunity to look into this in great detail, to
6 go over all of those contracts with a fine-tooth
7 comb.

8 So what we believe at the end of the day is
9 that Peoples believes that granting this petition
10 will allow the company to logically extend its
11 business into the LNG market. I mean just as it
12 has extended into the C&G market in a very similar
13 basis to this, that is a competitive market on
14 certain levels. Just as it has expanded into the
15 RNG basis -- or RNG market rather, which by its
16 tariff structure is essentially very similar to
17 what is being proposed with the LNG tariff. And so
18 we believe that these changes have addressed the
19 concerns and we believe that this petition should
20 be granted. And we are available for questions.

21 CHAIRMAN CLARK: All right. Commissioners, do
22 you have any questions?

23 Commissioner Fay.

24 COMMISSIONER FAY: Thank you, Mr. Chairman.

25 Mr. Brown, I just wanted to make one correction. I

1 don't thank you intended it to come off this way,
2 but a recommendation from a Commissioner at this
3 point is not something that would be a component of
4 the recommendations. So whatever staff has put
5 forward in the recommendation we take that into
6 make a decision based on what they've presented to
7 us.

8 MR. BROWN: Yeah, I misspoke on that. I
9 apologize.

10 COMMISSIONER FAY: No problem. I presumed
11 that. On the item itself, I mean, I spent a lot of
12 time on this and I thought the modification was
13 relevant. I'm glad you said liquefaction a few
14 times before I had to, because every time I looked
15 at that word I was a little bit hesitant, but
16 knowing that it is a component of some of the
17 business models, I think it's relevant to have that
18 modification in here and I think it shows good will
19 on the utility to try to improve what's been put in
20 front of us.

21 I will say I think there's some areas where
22 the competitive market component is more prevalent
23 than others. And so I think that's a component of
24 our decision here as to if that will be satisfied
25 by what's out there, or if it won't, and, of

1 course, now that is limited to two components, I
2 think, from my analysis, I'm focusing on those and
3 removing the third, which is the liquefaction
4 component on it.

5 So I think it's something put forward with a
6 lot of thought and I give a lot of weight to the
7 utility's attempt to try to work through it. Thank
8 you.

9 CHAIRMAN CLARK: Thank you, Commissioner Fay.
10 Do other commissioners have questions?

11 Make a couple of observations. First of all,
12 thank you staff for the work that you did on
13 negotiating some key points in here that are very
14 important to me. Getting that potential project
15 cost down was critical and I -- Mr. Moyle, with the
16 risk of a hundred-million-dollar potential was --
17 always scared me that that could possibly come back
18 on the consumers.

19 Looking at the reduced project cost, I have a
20 little more comfort level with it, but I do have a
21 couple of questions when it comes to facility and
22 construction and how this is actually going to
23 work. You say we reduced the potential costs down
24 from a hundred million dollars down to the maximum
25 of 35. Yet, in staff's recommendation, all of the

1 project costs of the project are going to be borne
2 by the consumer. So what actually is a
3 construction cost -- you mentioned that you've
4 taken yourself out of the gasification side of it,
5 regasification, I assume, occurs on consumer
6 property. So where is the capital cost other than
7 transportation and storage?

8 MR. BROWN: Well, the capital cost is in the
9 storage and the regasification. So if you're
10 building a storage tank, which the gas comes in
11 some form, let's assume by pipeline. It then goes
12 through this liquefier, I guess I'll call it, and
13 that then is stored in a tank. So Peoples would be
14 asking to be in the business of building the tank.
15 The regasification part is really not as
16 sophisticated because it's really just heating the
17 gas up and then you'd pipe it in from there. So
18 it's really the storage and the regasification.

19 CHAIRMAN CLARK: So all -- so the
20 regasification, where does that occur? On the
21 consumer premises?

22 MR. BROWN: Yes.

23 CHAIRMAN CLARK: So that's a project cost that
24 would be borne by the consumer?

25 MR. BROWN: Yes.

1 CHAIRMAN CLARK: So that's not part of your
2 risk, or are you going to build it and charge them
3 for it? I mean, I don't understand.

4 MR. BROWN: They will be paying for everything
5 that's going to be built on the site. So that
6 would be for the storage tanks. That would be for
7 the regasification.

8 CHAIRMAN CLARK: So where does your particular
9 portion of the expense come in?

10 MR. BUZARD: If I may, Mr. Chair. I'm Luke
11 Buzard. I represent Peoples Gas. So in regards to
12 your question, the capital investment is the
13 storage and the regasification. And so the tariff
14 is written similar to other tariffs where we're
15 going into a service fee agreement in order to
16 cover those costs directly with that customer.

17 CHAIRMAN CLARK: So what would be the
18 amortized time period of recouping that equipment
19 cost?

20 MR. BUZARD: I think we agreed upon LNG
21 depreciation rates in the last rate case. I don't
22 recall exactly the numbers of what the depreciation
23 rate is on LNG.

24 CHAIRMAN CLARK: Ms. Floyd.

25 MS. FLOYD: Good morning, Commissioner. Kandi

1 Floyd with Peoples Gas. I don't believe there's
2 depreciation rates right now determined for storage
3 facilities, but if you look at equivalency and
4 chief facilities, those are 20 years.

5 CHAIRMAN CLARK: 20-year?

6 MS. FLOYD: Yes, sir.

7 CHAIRMAN CLARK: So that's where our real risk
8 comes in. The customer defaults during that period
9 of time. What are you going to do to -- on the
10 consumer side? I assume my suggestion last time we
11 met, I think, was that you considered some bonding.
12 I think we talked about that. Are you going to --
13 what guarantees are you going to get from the
14 consumer that they're able to carry their portion
15 of the debt?

16 MR. BROWN: I think that's going to be done on
17 a case-by-case basis. There's going to be a
18 serious financial analysis of any customer. And
19 there's a lot of tools they have the ability to
20 use. They can require letters of credit. They can
21 require potentially bonds. They can require all
22 sorts of ways of doing that, but it will be on a
23 case-by-case basis, but it will actually be very
24 robust to protect the company and protect the
25 ratepayer.

1 MS. FLOYD: And if I could add just to that,
2 Chairman. There's two points there. We currently
3 have language within our tariff that allows the
4 company to look into the financial information and
5 the commitments of those customers. We will look
6 at their long-term debt, their Moody's rating and
7 within the language for the contracts that will be
8 created for these customers for the regasification
9 and the storage. There is language that states
10 that Peoples can go above and beyond and really
11 comply with other provisions as occurring by the
12 company to assess their risk, to develop guarantees
13 within the contract.

14 CHAIRMAN CLARK: Okay. The benefits that
15 Peoples gets from this potential expansion, I
16 assume, is -- there is a potential to use this
17 technology to pipe into the -- back into the
18 existing system, the ability to transport and pipe
19 into a system if you had a disruption at some
20 point. Basically if you had a disruption you could
21 go on the other side of the disruption, cap it, and
22 continue the distribution. What's the practical
23 reality of that? Theoretically, I can see it on
24 paper working great. What's the practical
25 application of that?

1 MS. FLOYD: Are you referring to -- from the
2 customer's perspective or the company?

3 CHAIRMAN CLARK: From the company's
4 perspective, more or less. If the consumer can get
5 gas and they didn't have gas, that's a huge
6 benefit, but from a practical perspective, you're
7 using that as one of your bases, the ability to
8 pipe into your existing system. How practical is
9 that?

10 MS. FLOYD: I believe from the customer's
11 perspective for the practicality for having those
12 on-site storage facilities, particularly if there
13 is a hurricane or if there is a disruption to the
14 pipeline, they have that ability to have that
15 on-site LNG and continue to keep their operations.

16 CHAIRMAN CLARK: Mr. Brown.

17 MR. BROWN: This is not a facility that
18 Peoples would own for its own peak shaving, which
19 it is investigating the possibility of doing that.
20 This would be for the customer to be using. The
21 customer would be using it for its peak shaving, or
22 whatever needs it has.

23 CHAIRMAN CLARK: So there is no ability for
24 Peoples to take the gas they have in storage and to
25 put it into their existing pipeline to serve

1 traditional customers, is that what you're saying?

2 MR. BROWN: There could be. If Peoples
3 entered into an agreement with the customer for
4 joint ownership of the particular storage facility.

5 CHAIRMAN CLARK: Okay. I'm not being clear.
6 Your traditional natural gas distribution system,
7 can you take the LNG you have in storage, regasify
8 it, and pipe it into your existing transmission --

9 MR. BUZARD: So, Mr. Chair, thank you for the
10 question. And, really, what Andy was trying to
11 explain is this tariff in front of you is for us to
12 serve a specific customer with LNG. And so in that
13 instance, typically that customer would be getting
14 that service specifically for their needs. That
15 asset wouldn't be connected to our broad
16 distribution system, but in many other
17 jurisdictions across the nation, and we are
18 exploring in places throughout our system where
19 there is a potential for LNG to serve as a broader
20 distribution backup need or reliability or a place
21 where there's difficulty getting capacity into a
22 service area, we're evaluating that separately,
23 similar to the other gas companies across the
24 state. So, again, the tariff in front of you is
25 for addressing a specific customer's use of LNG

1 storage and regasification. This typically
2 wouldn't come in the form of both serving that
3 customer and serving the broader distribution
4 system, but those pursuits and those evaluations
5 are being evaluated by Peoples Gas where LNG does
6 serve within the broader rate classes, a potential
7 for LNG backup storage.

8 CHAIRMAN CLARK: Tell me what the advantage is
9 to the rest of Peoples consumers for you to be into
10 this business. If you're not a potential LNG
11 customer, is there any advantage that accrues to
12 the remainder of the ratepayers?

13 MR. BUZARD: Well, there is broader economic
14 benefits to the system taking on more gas and
15 spreading out that cost to another class of
16 customers. So we're diversifying our customer
17 class and spreading out the use of the overall
18 distribution system, because the gases -- that gas
19 is being liquefied, likely within our system and
20 being delivered into the storage unit. So it
21 also -- again, these are customers that want the
22 service. There's customers coming to us wanting
23 LNG storage and regasification. And this provides
24 them that service and it serves a significant value
25 within the state for big industrial -- or customers

1 that could use the backup. With some of the things
2 that happened recently, we talked about since
3 September things have changed, the Colonial
4 Pipeline incident, the Texas freeze incident, it
5 just reinforces the value of LNG in our state. And
6 so, again, there's instances where it can serve a
7 specific customer and they may have particular
8 value to the broader customer base within Florida,
9 but it also does serve in the future likely for LNG
10 to be on our system to serve backup needs of the
11 overall system.

12 CHAIRMAN CLARK: Mr. Moyle and Mr. Self,
13 question for both of you. Number one is, what is
14 the real competitive advantage that you see Peoples
15 having here that I may be missing. And, secondly,
16 if there is that kind of demand that Peoples is
17 seeing for these customers, why are they not being
18 served by your clients now? What are we missing in
19 the connection there from a competitive standpoint?

20 MR. SELF: Sure. Thank you, Mr. Chairman. As
21 we said, it is a competitive market. And, quite
22 frankly, they would not be wanting to do this
23 within the regulated operation unless they thought
24 it gave them an advantage. So I can't pinpoint for
25 you every little advantage other than the fact of

1 what I've previously said in that, you know, being
2 subject to the regulation of the Commission,
3 operating under the umbrella of the Commission, out
4 in the marketplace does and will make a difference
5 to potential customers for this service. I'm not
6 authorized and can't speak about customers or
7 potential customers that we're in the process of
8 negotiating with at this point in time, but it's
9 certainly our opinion, I think Mr. Moyle would
10 agree, that the competitive marketplace can and
11 does and is taking care of this and that we don't
12 need this type of service being conducted from
13 within PGS's monopoly.

14 CHAIRMAN CLARK: Mr. Moyle.

15 MR. MOYLE: Yeah, and I guess I would maybe
16 expand a little bit in a broader context. I mean,
17 this LNG service is something that exists in other
18 places. And to attract Nopetro, Eagle, the others,
19 you know, this decision is being watched. And
20 private capital, I think, will go to areas where
21 the risk, you know, is not as great and it's a fair
22 playing field for competition and I think the key
23 point is, is that this setup we do not believe is a
24 fair playing field because, you know, if it was --
25 you know, I had a few conversations about the

1 phrase, you know, welcome to the NFL, like, you
2 know, we want people to compete, but we don't want
3 people, you know, to be competing with balls that
4 are inflated a little bit more and things like
5 that. Let's all kind of play by the same rules.
6 And in this effort to come in, it seeks a different
7 set of rules. You know, your staff, I thought it
8 was pretty telling in the recommendation, they say
9 a couple of times in there, they say, but
10 understand if when -- if and when you come in and
11 you ask for recovery, because a decision was made
12 that doesn't work out, we're going to look really
13 closely at that. To me, that underscores the point
14 that there's the subsidy element there. If Nopetro
15 makes a bad business decision, or even if they make
16 a good business decision, and say we're going to
17 serve the cruise line and then a pandemic comes and
18 they loose money, they don't have the ability to
19 come in and say, well, we were prudent because
20 everything that we looked at made sense. And,
21 Commission, respectfully, you can't Monday-morning
22 quarterback. You have to look at the facts that
23 existed at the time. So we lost a hundred million
24 on this deal. We'd like to get it back from the
25 ratepayers, but we'll amortize it over a long

1 period of time. That's just not the construct that
2 this industry deserves.

3 And I think the other point, just for
4 clarification, the reduction without the
5 liquefaction, and we said that's better, but it's
6 not great because it doesn't address the
7 fundamental problems, there is no limit on that.
8 So before, with liquefaction, it could be a hundred
9 and now it's at 35, but that's not the all-in
10 number, as I understand it, per project. So if you
11 take, you do ten projects at 35, you're at 350. If
12 you do 20, you know you're at 700. So it's real
13 numbers that are out there and we just don't think
14 given the choice as to how to conduct this, we
15 think that the competition is the better barometer,
16 as you all have recognized in one of your past
17 orders.

18 I found it ironic. We had to look pretty hard
19 for this order. It was a facsimile order and I
20 think at one point, you know, maybe somebody was
21 saying, we should regulate facsimiles, and the
22 Commission said, listen, if there's competition,
23 Commission regulation is unnecessary and it's
24 redundant and we're not going to go there.

25 MR. REHWINKEL: Mr. Chairman.

1 CHAIRMAN CLARK: Yes.

2 MR. REHWINKEL: This is Charles Rehwinkel with
3 the Public Council's Office.

4 CHAIRMAN CLARK: Mr. Rehwinkel.

5 MR. REHWINKEL: I would just like to make
6 clear for the record there may have been some
7 confusion about -- I'm just going to refer to it as
8 Peoples self-service. Just to be clear, in the
9 last rate case there was initially proposed a
10 facility that Peoples would build and own to serve
11 its own supply needs. It was a facility called
12 Blue Marlin. There were some issues about the
13 timing of the in-service date, so it was basically
14 removed from the rate case. So that's a facility
15 that we wouldn't have any problem with because it
16 would be dedicated to serving the general customer
17 needs of the company and it has nothing to do with
18 the facilities that are at issue in this tariff. I
19 just wanted to put that out there as a point of
20 information, because there are two types of
21 facilities and the Blue Marlin would take care of,
22 I think, what you are asking about.

23 CHAIRMAN CLARK: Thank you, Mr. Rehwinkel. I
24 appreciate that. I'll just make a concluding
25 remark on my behalf. Is this is one of those I

1 struggle with. I am very much a free-market
2 advocate and I like the fact that competition is
3 out there and is taking care of itself. I do
4 struggle with giving what I even perceive,
5 Mr. Moyle and Mr. Self, as an advantage to a
6 utility. I've been on that side of the business
7 and I understand when a utility begins to market
8 and begins to sell, they come in with usually a
9 high amount of credibility, and that is tough for a
10 private enterprise to get over.

11 I do see some advantage for Peoples to be in
12 this. I actually am a little bit -- I guess a
13 little bit disappointed that you don't have that
14 integration part and that ability to do peak
15 shaving with this in what you proposed. I missed
16 that in the staff recommendation. So -- Mr.
17 Buzard.

18 MR. BUZARD: Yes. Thank you, Mr. Chair, very
19 much for allowing me to say a few comments. I want
20 to be clear to your point that you just made. It
21 doesn't mean there won't be an opportunity for
22 that, like Andy said. If there's a customer that
23 does pursue the need for storage and regasification
24 through the tariff, and there is a system potential
25 to pursue, like Mr. Rehwinkel said, something that

1 would benefit the general body of ratepayers in
2 providing reliability and backup. There is
3 absolutely opportunity for that to happen and I
4 think by having the tariff it provides even a
5 higher opportunity for it to exist.

6 CHAIRMAN CLARK: Right. I understand. But I
7 actually -- my assumption was that this would go
8 on, on the front side, as opposed to a possibility.
9 So it's my mistake. I missed that somehow in the
10 rec.

11 I have two other folks. I'm not sure, and my
12 apologies, Commissioners, there are buttons on your
13 lights. I don't know who is who. I called on
14 Commissioner Brown, I thought a while ago and she's
15 not here. So who -- yeah, that is -- that is you.
16 LaRosa is you, and I guess Graham is you. All
17 right. Did you have your button pressed? Who else
18 has their button -- okay. I told you. I'm
19 confused here. Commissioner Graham, you're
20 recognized.

21 COMMISSIONER GRAHAM: Thank you, Mr. Chairman.
22 I, the same as you, struggle with this quite a bit,
23 but I have to say what put me over the edge, and
24 thank you, staff, is when you put in the
25 elimination of the liquefaction. I think that

1 made the difference for me. I just need to make
2 sure if this tariff were to pass here today, that
3 we're real clear on the tariff that there was a
4 reason why we eliminated the liquefaction and they
5 will not be able to do that in the future, unless
6 they came back in here and changed something. If
7 they're to do some sort of liquefaction, they
8 would have to go get a third-party nonregulated
9 entity, you know, either create one or do it that
10 way. And I want to make sure that it is written
11 very clear in the tariff because, as you can see,
12 from time to time the faces up here change and I
13 want to make sure that that memory is out there so
14 if something comes up ten years from now, then
15 everybody's very clear on why we made the decisions
16 that we did, and if there's something that
17 overwhelms those decisions then that's a different
18 story, but I want for that fact to be very clear.
19 Assuming that this passes.

20 CHAIRMAN CLARK: Thank you, Commissioner
21 Graham. Commissioner Passidomo.

22 COMMISSIONER PASSIDOMO: Thank you,
23 Mr. Chairman. So as, Mr. Moyle kind of alluded to,
24 I was not on the Commission when Peoples' first
25 petition was filed, but I did -- I did read through

1 the transcript and I recognize that, you know,
2 several -- sorry -- several of the concerns first
3 expressed by other Commissioners, you know, have
4 been addressed in this updated tariff. Really my
5 question is probably more directed to Mr. Brown.
6 You know, based on today's discussion, is there a
7 reason the company can't implement this tariff
8 under an unregulated subsidiary? Have you
9 considered that?

10 CHAIRMAN CLARK: Hold on one second. For some
11 reason I had -- the mute gallery button was --
12 there we go. And for those of you who -- welcome
13 back again. We have new microphones. They work
14 differently than the old microphones do. You have
15 to speak directly into the end and you have to stay
16 pretty close to it for us to be able to hear you.
17 So, kind of stay on your mic, if you will.

18 MR. BROWN: I think the big reason is the
19 efficiencies that are built into the fact that it
20 is a natural gas provider who is either -- I'm
21 sorry.

22 CHAIRMAN CLARK: I'm going to go through it
23 one more time. Get close to your microphone,
24 please.

25 MR. BROWN: I'm gathering that. It scares me

1 a little. It's coming at me.

2 The big reason is that you just gain a lot of
3 efficiencies by having the local natural gas
4 provider be the one who's involved in the building
5 of the LNG storage and gasification facilities.
6 Otherwise, you're in a situation where the customer
7 now would be going to three different people. You
8 know, what typically happens is they might call
9 Peoples. And let's say it's a customer who's not
10 getting gas. Now you've got Peoples can run the
11 gas pipes up to a certain point. Now they've got
12 to go to Eagle or Nopetro to build the liquefaction
13 facility. And now when we get to building the
14 other facility, the storage and the regasification.
15 They would potentially have to -- so they could
16 potentially have multiple people there.

17 COMMISSIONER PASSIDOMO: Well, thank you. I
18 see that -- I'm sorry. Go ahead.

19 MR. BUZARD: If I may just add that one thing.
20 Also I think something to recognize is it's very
21 similar to the other tariffs that we have, the CNG
22 and the RNG. We're extending this tariff in the
23 same manner, and it's just a natural extension of
24 the gas service that we've done through CNG and
25 RNG, now with LNG. Thank you, Ms. Commissioner.

1 COMMISSIONER PASSIDOMO: Did you consider, I
2 mean prior in your first petition, though, to
3 have -- when you had that liquefaction as part of
4 it, that that would also be -- would that solve
5 some of the inefficiencies if that was also part of
6 the unregulated?

7 MR. BROWN: Well, yeah. You'd have greater
8 efficiency if we were able to do all of those at
9 once. Now, obviously because of the cost
10 consideration we have made the concession that
11 we're not going to get into the liquefaction, but
12 it's still -- you still have greater efficiencies
13 by having one company potentially handling most of
14 the elements that are there.

15 CHAIRMAN CLARK: All right. Commissioners,
16 any other questions? I'm going to look at hands
17 instead of lights this time. Hands. All right.
18 No other questions. Thank you all very much for
19 your participation today. What's your pleasure?
20 Commissioner Graham.

21 COMMISSIONER GRAHAM: Mr. Chairman, I move
22 staff recommendation on all issues on Item 12.

23 CHAIRMAN CLARK: I have a motion and a second.
24 Any discussion?

25 (No comments made.)

1 CHAIRMAN CLARK: On the motion, all in favor
2 say, aye.

3 (Chorus of ayes.)

4 CHAIRMAN CLARK: Opposed?

5 (No comments made.)

6 CHAIRMAN CLARK: Motion carries. All right.
7 Next item is Item 14 -- oh, I'm sorry. One second.
8 Mr. Graham.

9 COMMISSIONER GRAHAM: My motion also includes
10 that we're very clear in that tariff about the
11 reasons why we eliminated the liquefaction.

12 MR. FUTRELL: Yes, Commissioner Graham. Just
13 to be clear, that's noted in the staff
14 recommendation, and with your approval that
15 language will be picked up in the order. And also
16 the tariff, the legislative format of the tariff on
17 page 14 notes the removal of the liquefaction
18 references and also the other equipment associated
19 with liquefaction. That's been stricken from the
20 tariff. You can see that on page 14 of the tariff.

21 COMMISSIONER GRAHAM: I just want to make sure
22 that we're -- that there is no confusion. Like I
23 said, ten years from now on why we did what we did.

24 MR. FUTRELL: Yes sir.

25 COMMISSIONER GRAHAM: Thank you.

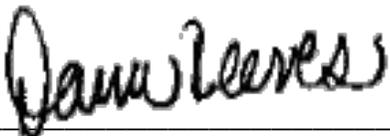
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CHAIRMAN CLARK: All right. Thank you.
(Agenda item concluded.)

1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
3 COUNTY OF LEON)4 I, DANA W. REEVES, Professional Court
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 29th day of June, 2021.

19 
20 _____21 DANA W. REEVES
22 NOTARY PUBLIC
23 COMMISSION #GG970595
24 EXPIRES MARCH 22, 2024
25