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January 17, 1995

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32301

HAND DELIVERY

Re: Florida Public Utilities Company; Docket No. 950003-GU

Dear Ms Bayo:

Enclosed for filing on behalf of Florida Public Utilities Company in connection with the hearings scheduled to begin March 8, 1995 in this docket are the original and 15 copies of the following:

- ACK _____
1) Petition for Approval of Florida Public Utilities Company's Purchased Gas Cost Recovery Factors;
2) Direct Testimony of George Bachman and Marc L. Schneidermann; and
3) Schedules E-1, E-1R, E-2, E-3, E-4 and E-5.

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Please acknowledge receipt of these documents by stamping the enclosed extra copy of this letter.

Thank you for your assistance.

Sincerely,

Norman H. Horton Jr.
Norman H. Horton, Jr.

NHH/amb
Enclosures
cc: Parties of Record
Mr. George Bachman

Petition *Bachman Testimony*
DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE

00601 JAN 17 88 00602 JAN 17 88

FPSC-RECORDS/REPORTING FPSC-RECORDS/REPORTING

Schneidermann
DOCUMENT NUMBER-DATE
00603 JAN 17 88
FPSC-RECORDS/REPORTING

[Signature]
FPSC-BUREAU OF RECORDS

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

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Direct Testimony of
Marc L. Schneidermann
on Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
2 A. Marc L. Schneidermann, 401 South Dixie Highway,
3 West Palm Beach, FL 33402.
4 Q. By whom are you employed and in what capacity?
5 A. I am employed by Florida Public Utilities Company
6 as the Manager of Engineering and Gas Supply.
7 Q. How long have you been employed by Florida Public
8 Utilities Company?
9 A. Since February 1989.
10 Q. - Have you previously testified before this
11 Commission?
12 A. Yes, I testified in the Purchased Gas Cost
13 Recovery Dockets Numbers 940003-GU, 930003-GU,
14 920003-GU and 910003-GU as well as Docket Numbers
15 940620-GU and 900151-GU, the most recent filings
16 for rate relief for the Company's gas operations.
17 Q. What are the subject matters of your testimony in
18 this proceeding?
19 A. My testimony will relate to three specific
20 matters. First, I am responsible for the
21 forecasting of the Company's natural gas sales for

DOCUMENT NUMBER-DATE

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1 the twelve month projection period of April 1995
2 through March 1996. Second, I am also responsible
3 for forecasting the demand, transportation and
4 commodity costs of gas to be purchased by the
5 Company. Third, I am also responsible for
6 developing the projected weighted average cost of
7 gas for the Company's traditional non-
8 transportation firm and interruptible classes of
9 customers.

10 Q. Please generally describe how the estimates of gas
11 sales were developed for the projection period.

12 A. Florida Public Utilities developed its gas sales
13 projections based on a January 1990 through April
14 1994 study period. The Company compiled a
15 database, sorted by rate classifications, which
16 consisted of the historical monthly customer
17 consumption and the historical monthly customer
18 count experienced during the study period.
19 Detailed analyses were performed on the database.
20 From these data, projections of customer counts
21 were constructed by applying the historical
22 average monthly rates of customer growth to the
23 actual April 1994 customer count. The historical
24 average monthly consumption per customer, by rate
25 classification, was computed as part of this
26 study.

1 The product of the projected monthly customer
2 count and historical average monthly consumption,
3 by rate classification, yielded the Company's
4 projection of gas requirements. Minor adjustments
5 were made by the Company's gas division managers
6 and marketing director for variations in growth
7 which were not adequately represented by
8 historical trends. Gas requirements for company
9 use were based on an historical factor of 0.18% of
10 the Company's total natural gas sales. This
11 factor was developed by the Company's Accounting
12 Department. These projections were compiled and
13 sorted to determine the total projected sales to
14 the traditional non-transportation firm and the
15 interruptible classes of customers for the twelve
16 month period of this filing.

17 Q. Please describe how the forecasts of gas costs
18 were developed for the projection period.

19 A. As of November 1, 1993 Florida Public Utilities
20 Company converted 100% of its FGT General Service
21 (Rate G) demand to FGT's Firm Transportation
22 Service (Rate FTS-1) demand. For the projection
23 period, the FGT FTS-1, FTS-2, NNTS-1, PTS-1 and
24 ITS-1 rates were projected to be 110% of the
25 Florida Gas Transmission Company's tariff rates as
26 listed in FGT's tariff Sheets Nos. 8A and 8D

1 effective February 1, 1995. Additionally, FPU has
2 nominated certain demand levels from FGT for its
3 Phase III expansion. It is expected that Phase
4 III will be in service as soon as February 1, 1995
5 and FPU will be assessed the appropriate Phase III
6 costs. Said costs will be collected by FPU from
7 its traditional non-transportation firm and
8 interruptible customers except for demand costs
9 designated for Lake Worth Utilities. The expected
10 cost of natural gas purchased by FPU and delivered
11 to FGT, for transportation to the Company and for
12 FGT's 3.0% compressor fuel use, during the
13 projection period was assumed to be 125% of the
14 higher of the historical contract determination
15 Zone 3 prices as posted in *Natural Gas Week* (bid
16 week issue) and *Inside FERC Gas Market Report*
17 (first issue of each month) corresponding to the
18 maximum of the monthly price posted during the
19 prior year and the next prior year for each
20 particular projected month.

21 Q. Please describe how the forecasts of the weighted
22 average costs of gas were developed for the
23 projection period.

24 A. Florida Public Utilities Company and its largest
25 single customer, Lake Worth Utilities, have agreed
26 to have the Company contract for firm

1 transportation services (FTS-1 and FTS-2) demand
2 levels on behalf of Lake Worth Utilities. All
3 demand costs, commodity costs associated with the
4 dedicated firm transportation services demand
5 levels for Lake Worth Utilities are excluded from
6 the Purchase Gas Cost Recovery Factor (PGCRF).
7 Lake Worth Utilities will reimburse the Company
8 for 100% of said actual costs.
9 Absent costs dedicated to transportation
10 customers, FPU's sales to traditional non-
11 transportation firm and interruptible customers
12 were allocated all of the monthly pipeline demand
13 costs and were allocated all of the projected
14 pipeline and supplier commodity costs. The sum of
15 these costs were divided by the projected sales
16 level to said customers resulting in the projected
17 weighted average cost of gas for traditional non-
18 transportation firm customers and interruptible
19 customers and ultimately the PGCRF shown on
20 Schedule E-1.
21 Capacity shortfalls, if any, would be satisfied
22 with the most economic dispatch combination of
23 acquired FTS-1 and/or FTS-2 demand levels
24 relinquished by another FGT shipper, Rate ITS-1
25 services and/or PTS-1 services whenever required -
26 and available. Obviously, if other services