

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 120003-GU

PURCHASED GAS ADJUSTMENT
(PGA) TRUE-UP.

_____ /

RECEIVED FPSC
12 NOV -9 AM 8:46
COMMISSION
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PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING:

CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Monday, November 5, 2012

TIME: Commenced at 9:30 a.m.
Concluded at 9:42 a.m.

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

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Gunster Law Firm, 215
3 South Monroe Street, Suite 601, Tallahassee, Florida
4 32301-1804, appearing on behalf of Florida City Gas and
5 Florida Public Utilities Company.

6 PATRICIA A. CHRISTENSEN, ESQUIRE, Office of
7 Public Counsel, c/o The Florida Legislature, 111 W.
8 Madison Street, Room 812, Tallahassee, Florida
9 32399-1400, appearing on behalf of the Citizens of
10 Florida.

11 MARTHA CARTER BROWN, ESQUIRE, and MICHAEL
12 LAWSON, ESQUIRE, FPSC General Counsel's Office, 2540
13 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850,
14 appearing on behalf of the Florida Public Service
15 Commission Staff.

16 SAMANTHA CIBULA, ESQUIRE, Florida Public
17 Service Commission, 2540 Shumard Oak Boulevard,
18 Tallahassee, Florida 32399-0850, Advisor to the Florida
19 Public Service Commission.

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WITNESSES

NAME:	PAGE NO.
THOMAS KAUFMANN	
Prefiled Direct Testimony Inserted	11
MICHELLE NAPIER	
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KANDI M. FLOYD	
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ANDY SHOAF	
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EXHIBITS

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P R O C E E D I N G S

1
2 **CHAIRMAN BRISÉ:** Good morning. We're going to
3 go ahead and call this hearing to order, and I'll
4 request that our staff read the notice.

5 **MS. BROWN:** By notice issued September 18th,
6 2012, this time and place was set for a hearing in the
7 following dockets; Docket Number 120001-EI, Docket
8 Number 120002-EG, Docket Number 120003-GU, Docket Number
9 120004-GU, Docket Number 120007-EI. The purpose of the
10 hearing is set forth in the notice.

11 **CHAIRMAN BRISÉ:** Thank you.

12 At this time we're going to go ahead and take
13 appearances. There are five dockets to address today.
14 Staff suggests that all appearances be taken at once, so
15 we will do so. All parties should enter their
16 appearance and declare the dockets that they are
17 entering an appearance for. So we will go through the
18 process with everyone from the parties, and then as
19 usual, we'll take appearances from our staff.

20 Okay. I guess we'll start from my left, your
21 right.

22 **MR. BUTLER:** Thank you, Mr. Chairman.

23 John Butler and Ken Rubin appearing on behalf
24 of Florida Power and Light Company in the 01, 02, and 07
25 dockets.

1 **CHAIRMAN BRISÉ:** Thank you.

2 **MS. TRIPLETT:** Good morning, Commissioners.

3 Diane Triplett and John Burnett appearing on
4 behalf of Progress Energy Florida in the 01, 02, and 07
5 dockets, and I would also like to enter an appearance
6 for Gary Perko in the 07 docket.

7 **CHAIRMAN BRISÉ:** Thank you.

8 **MR. BADDERS:** Good morning, Commissioners.

9 Russell Badders appearing on behalf of Gulf
10 Power in the 01, 02, and 07 dockets. I would also like
11 to enter an appearance for Jeffrey A. Stone and Steven
12 R. Griffin in the same dockets.

13 **CHAIRMAN BRISÉ:** Thank you.

14 **MR. BEASLEY:** Good morning, Commissioners.

15 Jim Beasley and Jeff Wahlen for Tampa Electric Company
16 in the 01, 02, and 07 dockets.

17 **CHAIRMAN BRISÉ:** All right.

18 **MS. KEATING:** Good morning, Commissioners.

19 Beth Keating with the Gunster law firm appearing today
20 on behalf of FPUC in the 01, 02, and 03 dockets, as well
21 as Florida City Gas in the 03 docket; and Florida City
22 Gas, Chesapeake, FPUC, and Indiantown in the 04 docket.

23 **CHAIRMAN BRISÉ:** Thank you.

24 **MR. MOYLE:** Good morning. Jon Moyle on behalf
25 of the Florida Industrial Power Users Group. I'm with

1 the Moyle law firm, and we are appearing in the 01, 02,
2 and 07 dockets.

3 **MR. BREW:** Good morning, Mr. Chairman,
4 Commissioners. I'm James Brew with the firm of
5 Brickfield, Burchette, Ritts & Stone. I'm here for
6 White Springs Agricultural Chemicals, PCS Phosphate, in
7 the 01, 02, and 07 dockets.

8 **CHAIRMAN BRISÉ:** Thank you.

9 **MR. REHWINKEL:** Good morning, Commissioners.
10 Charles Rehwinkel, Office of Public Counsel. I am
11 appearing in the 01 and 07 dockets.

12 **MS. CHRISTENSEN:** Patty Christensen with the
13 Office of Public Counsel. I'm appearing in the 01, 02,
14 03, 04, and 07 dockets. And I would also like to put in
15 an appearance for Joe McGlothlin in the 01, 02, and 07
16 dockets.

17 **CHAIRMAN BRISÉ:** Thank you.

18 **MR. WRIGHT:** Good morning, Mr. Chairman,
19 Commissioners. Robert Scheffel Wright and John T.
20 LaVia, III, appearing in the fuel docket, 120001, on
21 behalf of the Florida Retail Federation.

22 **MAJOR THOMPSON:** Good morning, Commissioners.
23 For FEA, it's Major Chris Thompson appearing in 01, 02,
24 and 07.

25 **CHAIRMAN BRISÉ:** Okay. Thank you.

1 **MS. BROWN:** Good morning, Commissioners.

2 Martha Brown and Michael Lawson appearing in the 03
3 docket.

4 **CHAIRMAN BRISÉ:** Thank you.

5 **MS. ROBINSON:** Pauline Robinson appearing in
6 the 04 docket.

7 **MS. TAN:** Lee Eng Tan appearing for the 02
8 docket.

9 **MS. BARRERA:** Martha Barrera appearing,
10 thankfully, on the 01 docket along with Lisa Bennett.

11 **CHAIRMAN BRISÉ:** Okay.

12 **MS. CIBULA:** Samantha Cibula, Advisor to the
13 Commission in all dockets.

14 **CHAIRMAN BRISÉ:** Okay. Thank you.

15 **MR. MURPHY:** Charles Murphy in the 07 docket.

16 **CHAIRMAN BRISÉ:** All right. Thank you.

17 Is that everyone that needs to make an
18 appearance this morning? Okay.

19 For the record, there are some companies that
20 have asked to be excused from the hearing: St. Joe
21 Natural Gas in Docket 03 and 04, Peoples Gas System, 03
22 and 04, and Southern Alliance for Clean Energy in Docket
23 02.

24 Okay. The order of the dockets that we are
25 going to -- the order that we're going to take up the

1 dockets is the 03 docket, 04 docket, 02 docket, 07, and
2 then 01.

3 * * * * *

4 **CHAIRMAN BRISÉ:** Okay. And now we're going to
5 move to our first docket for this morning, Docket Number
6 120003-GU.

7 Are there any preliminary matters that we need
8 to take care of at this point?

9 **MS. BROWN:** Mr. Chairman, there are proposed
10 stipulations on all issues in this docket. All
11 witnesses have been excused and the parties have waived
12 opening statements. And as you just noted, St. Joe
13 Natural Gas Company and Peoples Gas System have been
14 excused from the hearing. Those are the only
15 preliminary matters that I'm aware of.

16 **CHAIRMAN BRISÉ:** Okay. So let's deal with the
17 prefiled testimony.

18 **MS. BROWN:** We ask that the prefiled testimony
19 of all witnesses identified in Section VI of the
20 prehearing order on Page 4 be inserted into the record
21 as though read.

22 **CHAIRMAN BRISÉ:** Okay. If there are no
23 objections, we will enter the prefiled testimony into
24 the record as though read. Seeing none, we are doing
25 that.

1 Okay. Exhibits.

2 **MS. BROWN:** Staff has compiled a Stipulated
3 Comprehensive Exhibit List which includes the prefiled
4 exhibits attached to the witness' testimony in this
5 case. The list has been provided to the parties, the
6 Commissioners, and the court reporter. The list is
7 marked as -- the list itself is marked as the first
8 hearing exhibit and the other exhibits should be marked
9 as set forth in the exhibit list.

10 **CHAIRMAN BRISÉ:** Okay. Are we looking to move
11 those exhibits?

12 **MS. BROWN:** Yes. If there are no objections,
13 staff moves Exhibits 1 through 14 into the record as set
14 forth in the Comprehensive Exhibit List.

15 **CHAIRMAN BRISÉ:** Okay. Seeing no objections,
16 we will move Exhibits 1 through 14 into the record.

17 (Exhibit Number 1 through 14 marked for
18 identification and admitted into the record.)

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 DIRECT TESTIMONY OF
3 THOMAS KAUFMANN
4 ON BEHALF OF FLORIDA CITY GAS
5 DOCKET NO. 120003-GU
6

7 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

8 A. My name is Thomas Kaufmann. My business address is
9 Elizabethtown Gas, 300 Connell Drive, Suite 3000, Berkeley
10 Heights, New Jersey 07922.

11

12 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

13 A. I am currently employed as a Manager of Rates and Tariffs and
14 have responsibilities for Pivotal Utility Holdings, Inc's., Florida
15 operating division d/b/a Florida City Gas ("City Gas" or "the
16 Company").

17

18 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
19 **EMPLOYMENT EXPERIENCE.**

20 A. In June 1977, I graduated from Rutgers University, Newark with
21 a Bachelor of Arts degree in Business Administration, majoring
22 in accounting and economics. In July 1979, I graduated from
23 Fairleigh Dickinson University, Madison with a Masters of

1 Business Administration, majoring in finance. My professional
2 responsibilities have encompassed financial analysis,
3 accounting, planning, and pricing in manufacturing and energy
4 services companies in both regulated and deregulated
5 industries. In 1977, I was employed by Allied Chemical Corp. as
6 a staff accountant. In 1980, I was employed by Celanese Corp.
7 as a financial analyst. In 1981, I was employed by Suburban
8 Propane as a Strategic Planning Analyst, promoted to Manager
9 of Rates and Pricing in 1986 and to Director of Acquisitions and
10 Business Analysis in 1990. In 1993, I was employed by
11 Concurrent Computer as a Manager, Pricing Administration. In
12 1996 I joined Pivotal Utility Holdings, Inc's., (formerly known as
13 NUI Utilities Inc.) as a Rate Analyst, was promoted to Manager
14 of Regulatory Support in August, 1997 and Manager of
15 Regulatory Affairs in February, 1998, and named Manager of
16 Rates and Tariffs in July 1998.

17

18 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my testimony is to present the comparison of
20 Actual versus Original estimate of the purchased gas adjustment
21 cost recovery factor and true-up provision for the period January,
22 2011 through December, 2011 for City Gas.

23

1 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED**
2 **BY THIS COMMISSION FOR THIS PURPOSE?**

3 A. Yes. The Company has prepared the form prescribed by the
4 Commission attached as Schedule A-7, and identified as Exhibit
5 ____ (TK-1).

6

7 **Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS**
8 **THE ACTUAL GAS COSTS ASSOCIATED WITH THE GAS**
9 **ADJUSTMENT COST RECOVERY FACTOR?**

10 A. Yes. City Gas prepared Schedule A-7, attached, which
11 describes the total fuel cost for the period in question, recovery
12 of such cost from ratepayers through the Purchased Gas
13 Adjustment (PGA) Cost Recovery Factor, and remaining over or
14 under-recovery of gas cost.

15

16 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**
17 **COMPANY DURING THE TWELVE MONTHS ENDED**
18 **DECEMBER 31, 2011?**

19 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
20 twelve months ended December 31, 2011 is \$25,011,914.

21

1 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
2 **RECOVERED BY THE COMPANY DURING THE TWELVE**
3 **MONTHS ENDED DECEMBER 31, 2011?**

4 A. The Company recovered \$24,218,963 from customer billings
5 plus an additional \$3,053,480 from margin sharing and pipeline
6 refunds.

7

8 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
9 **TWELVE MONTHS ENDED DECEMBER 31, 2011?**

10 A. The actual true-up amount, including adjustments, margin
11 sharing and interest, is an over-recovery of \$2,263,262.

12

13 **Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT**
14 **AMOUNT?**

15 A. Yes. As shown on Schedule A-7, the total fuel cost for the
16 period is \$25,011,914 and the total fuel revenues are
17 \$24,218,963. The difference between the fuel cost and fuel
18 recoveries is an under-recovery of \$792,951. This under-
19 recovery was more than offset by an adjustment of \$3,053,480
20 for margin sharing and pipeline refunds, and an interest
21 provision, during the period, of \$2,739. The sum of these,
22 inclusive of a \$6 credit from a prior period, is an over-recovery of
23 \$2,263,262.

1

2 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
3 **JANUARY 2011 THROUGH DECEMBER 2011 PERIOD TO BE**
4 **INCLUDED IN THE 2012 PROJECTION?**

5 A. The final true-up amount for the period of January 2011 through
6 December 2011 to be included in the 2012 projection is an over-
7 recovery \$1,905,623. This is the difference between the
8 estimated over-recovery of \$357,639 that is included in the
9 current cost recovery factor being collected during 2012 and the
10 actual over-recovery of \$2,263,262.

11

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DIRECT TESTIMONY OF

3 THOMAS KAUFMANN

4 ON BEHALF OF FLORIDA CITY GAS

5 DOCKET NO. 120003-GU

6 September 12, 2012

7

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Thomas Kaufmann. My business address is Elizabethtown
10 Gas, 300 Connell Drive, Suite 3000, Berkeley Heights, NJ 07922.

11 **Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?**

12 A. I am currently employed as a Manager of Rates and Tariffs and have
13 responsibilities for Florida City Gas ("City Gas" or "the Company").

14 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND
15 EMPLOYMENT EXPERIENCE.**

16 A. In June 1977, I graduated from Rutgers University, Newark, N.J.,
17 with a Bachelor of Arts degree in Business Administration, majoring
18 in accounting and economics. In July 1979, I graduated from
19 Fairleigh Dickinson University, Madison, N.J., with a Masters of
20 Business Administration, majoring in finance. My professional
21 responsibilities have encompassed financial analysis, accounting,
22 planning, and pricing in manufacturing and energy services
23 companies in both regulated and deregulated industries. In 1977, I
24 was employed by Allied Chemical Corp. as a staff accountant. In

1 1980, I was employed by Celanese Corp. as a financial analyst. In
 2 1981, I was employed by Suburban Propane as a Strategic
 3 Planning Analyst, promoted to Manager of Rates and Pricing in
 4 1986 and to Director of Acquisitions and Business Analysis in 1990.
 5 In 1993, I was employed by Concurrent Computer as a Manager,
 6 Pricing Administration. In 1996 I joined NUI as a Rate Analyst, was
 7 promoted to Manager of Regulatory Support in August, 1997 and
 8 Manager of Regulatory Affairs in February, 1998, and named
 9 Manager of Rates and Tariffs in July 1998.

10 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.**

11 A. The purpose of my testimony is to present the revised estimate of
 12 the Company's projection of gas costs for the period August 2012
 13 through December 2012 and the Company's projection of gas costs
 14 for the period January 2013 through December 2013. In addition I
 15 will present the development of the maximum rate to be charged to
 16 customers for the period January 2013 through December 2013.

17 **Q. HAS THE COMPANY PREPARED THE FORMS AS PRESCRIBED**
 18 **BY THE COMMISSION FOR THIS PURPOSE?**

19 A. Yes. The forms prescribed by the Commission are being filed at
 20 this time. Copies are attached to my testimony as Exhibit __ (TK-2).

21
22

Docket No. 120003-GU
September 12, 2012

1 **Q. CAN YOU EXPLAIN THE PROJECTION METHODOLOGY?**

2 A. Yes. Under this methodology, which was adopted by Order No.
3 PSC-93-0708-FOF-GU of this Commission on May 10, 1993 and
4 modified in Docket No. 980269-PU on June 10, 1998, gas
5 companies are to project their gas costs each twelve months for the
6 ensuing twelve month period ending in December. A per therm rate
7 is developed for the weighted average cost of gas (WACOG). This
8 rate, based on the average of the winter and summer seasons,
9 would lead to over or under-recoveries of gas costs in the two
10 seasons. This problem is mitigated by establishing a maximum
11 levelized purchased gas factor based on the Company's expected
12 winter cost of gas, thereby eliminating a large under-recovery in that
13 season. The Company is then able to flex downward in the summer
14 in order to match market conditions and eliminate the potential for a
15 large over-recovery for the remainder of the period.

16 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**
17 **AS PROJECTED?**

18 A. If re-projected gas costs for the remaining period exceed projected
19 recoveries by at least 10% for the twelve month period, a mid-
20 course correction may formally be requested by the Company.

21 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
22 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN**

23

Docket No. 120003-GU
September 12, 2012

1 **ESTIMATED AND ACTUAL COSTS?**

2 A. The forms take this into consideration. Form E-2 calculates the
3 projected differences using estimated figures, and form E-4
4 calculates the final true-up using actual figures. These differences
5 are flowed back to customers through the true-up factor included in
6 gas costs billed in the subsequent twelve month period.

7 **Q. ARE ANY FLORIDA GAS TRANSMISSION (FGT) RATE**
8 **CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**
9 **FILING?**

10 A. No, the FGT rates used in the preparation of this filing are those in
11 effect on September 1, 2012.

12 **Q. IS THE COMPANY EXPECTING TO ENTER INTO ANY NEW**
13 **AGREEMENTS THAT WILL AFFECT THE PGA COSTS FOR 2013?**

14 A. Yes. The Company is anticipating entering into two new capacity
15 agreements as follows:

16 (i) One is with Peninsula Pipeline Company, Inc. ("PPC"), whereby PPC
17 will construct an intrastate pipeline lateral connected to FGT, which will
18 provide additional, needed capacity. This new capacity will allow the
19 company to enhance the integrity of our current Vero Beach system
20 and enable system growth to new communities in Indian River,
21 specifically the Fellsmere and Sebastian area. The pipeline will connect
22 to City Gas's existing distribution system in North Vero beach, and is
23 intended to provide back feed to that area. Also, the route of the new

Docket No. 120003-GU
September 12, 2012

1 pipeline brings the Company in proximity to Fellsmere and Sebastian
2 and provides a more economic and efficient means of extending
3 natural gas distribution service to both firm and transportation only
4 customers in that region. The Company anticipates that the pipeline
5 will come online in March 2013.

6 (ii) The other is an agreement with Florida Gas Transmission ("FGT")
7 for additional firm transportation of 12,000 dekatherms per day during
8 the winter months of October through March at the current FGT tariff
9 rate. The Company is contracting for this capacity for five years,
10 effective November 1, 2012, based on its ongoing review of the design
11 day load requirements, which have exceeded the current gas supply
12 capabilities in Florida for the past 3 years. This deficiency had been
13 covered with firm bundled peaking products; however, the same types
14 of services were not available for the winter of 2012-13 and beyond
15 when City Gas solicited potential providers. In light of this, the
16 Company approached Florida Gas Transmission to see if it had
17 available pipeline service, which it did. Furthermore, the Company has
18 recently seen an increase in new customer requests for natural gas
19 service. As such, the Company needs additional capacity to stand
20 ready to serve its forecasted firm sales obligation. Taking advantage of
21 this additional capacity will allow City Gas to add load, in addition to
22 mitigating its design day shortfall. Thus, this seasonal capacity, rather

Docket No. 120003-GU
September 12, 2012

1 than year round service, offers the Company the winter heating
2 seasonal coverage it needs.

3 **Q. ARE THE COSTS ASSOCIATED WITH THE PPC AGREEMENT**
4 **APPROPRIATE FOR RECOVERY THROUGH THE PGA?**

5 A. Yes. In order to expand City Gas's facilities to get natural gas service
6 to customers in the underserved portions of our system in North Vero
7 Beach and to un-served areas of Indian River County, it is necessary to
8 obtain this additional pipeline capacity. The Commission has
9 traditionally allowed recovery of such transportation costs through the
10 PGA clause, as long as they are reasonable and are not already being
11 recovered through the Company's base rates. These costs were not
12 included in the Projected Test Year of the Company's last rate case,
13 and therefore, are not already being recovered in base rates.
14 Moreover, the Commission has recently acknowledged that
15 transportation costs associated with a similar project are appropriate for
16 recovery through the PGA in Docket No. 110271-GU, Order No. PSC-
17 12-0230-PAA-GU (page 6).

18 **Q. WHAT BENEFITS WILL OTHER CUSTOMERS ON CITY GAS'S**
19 **NATURAL GAS SYSTEM OBTAIN FROM THE ADDITIONAL INDIAN**
20 **RIVER CUSTOMERS?**

21 A. All customers receive benefits when system expansions occur,
22 primarily through the allocation of fixed system costs to a larger
23 customer base. The Company anticipates growth in this area as we

1 begin to serve communities that do not have gas or need increased
2 capacity. The Company also believes that the added benefits of
3 reinforced supply for the Company's Vero Beach service territory will
4 allow the Company to expand service and service offerings in that area.

5 **Q. HAVE THESE ADDITIONAL COSTS BEEN INCLUDED IN THE PGA**
6 **CAP RATE FOR 2013?**

7 A. Yes. Even with the inclusion of these costs in the 2013 PGA
8 calculation still allows the company to reduce the overall PGA cap for
9 2013 from the 2012 cap rate. The proposed Winter Cap rate contains
10 four months of the PPC capacity cost and six months of the additional
11 FGT capacity costs, based on the anticipated contract start dates noted
12 above.

13 **Q. CAN YOU SUMMARIZE THE CONTENTS OF THE SCHEDULES**
14 **SUBMITTED AS PART OF THIS FILING?**

15 A. Yes. Schedule E-1 shows the projected period, January 2013
16 through December 2013. For 2013, the Company estimates the
17 gas purchases for resale will be 41,933,478 therms (Line 15) at a
18 total cost of \$29,172,699 (Line 11) with a resulting WACOG of
19 69.569 cents per therm (Line 40) before the application of the true-
20 up factor and the regulatory assessment fee. Schedule E-4 shows
21 the difference between the estimated actual and actual true-up for
22 the prior period, January 2011 through December 2011, is an over-
23 recovery of \$1,905,623 (Column 3, Line 4). The projected true-up

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September 12, 2012

1 for the current period, January 2012 through December 2012, is an
2 under-recovery of \$2,194,043 (Column 4, line 4). The total true-up
3 as shown on Schedule E-4 is an under-recovery of \$288,420 for a
4 true-up recovery factor of 00.688 cents per therm that would be
5 applied during the projected period (Schedule E-1, Line 41). This
6 true-up factor increases the gas cost factor during the projected
7 period to 70.257 cents per therm (Line 42) before the regulatory
8 assessment fee. With the regulatory assessment fee added, the
9 PGA factor is 70.610 cents per therm (Line 44) based on the
10 average of the winter and summer seasons.

11 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
12 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
13 **THE PGA CAP IN 2013?**

14 A. No. As shown on Schedule E-1 (winter), City Gas has chosen to
15 establish a maximum levelized purchased gas factor based on the
16 Company's expected winter cost of gas as follows:

17 Winter Average, per Therm

18

Total Cost (Line 11)	\$17,373,136
Total Therm Sales (Line 27)	23,065,306
(Line 11/ Line 27)	\$75.322
True-up	\$00.688
Before Regulatory Assessment	\$76.009
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$76.392

19

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September 12, 2012

1 As shown above, the maximum levelized purchased gas factor
2 based on the Company's expected winter cost of gas is 76.009
3 cents per therm before the regulatory assessment fee and 76.392
4 cents per therm after the regulatory assessment fee. If approved by
5 the Commission, 76.392 cents per therm would be the maximum
6 gas cost factor that City Gas may charge its customers for the
7 period January 2013 through December 2013.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A. Yes, it does.**

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 120003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR**

**Direct Testimony (Final True-Up) of
Michelle D. Napier
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Michelle D. Napier, 1641 Worthington Road, Suite 220, West Palm
3 Beach, FL 33409.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Florida Public Utilities Company as the Senior
6 Regulatory Analyst.

7 Q. What is the purpose of your testimony at this time?

8 A. To advise the Commission of the actual over/under recovery of the
9 Purchased Gas Adjustment for the period January 1, 2011 through
10 December 31, 2011, as compared to the true-up amount previously
11 reported for that period which was based on seven months actual and five
12 months estimated.

COM 5
 APA 1
 ECR 6
 GCL 1
 RAD 1
 SRC _____
 ADM _____
 OPC _____
 CLK _____
 Ct. Rep 1

13 Q. Please state the actual amount of over/under recovery of the Purchased
14 Gas Adjustment for January 1, 2011 through December 31, 2011.

1 A. During January 2011 through December 2011, FPUC over-recovered
2 \$2,432,862.

3 Q. How does this amount compare with the estimated true-up amount, which
4 was allowed by the Commission during the November 2011 hearing?

5 A. As of December 31, 2011, FPUC had estimated an over-recovery of
6 \$2,151,001.

7 Q. Have you prepared any exhibits at this time?

8 A. We prepared and pre-filed composite Exhibit MDN-1, containing
9 Schedule A-7, Final Fuel Over/Under Recovery for the Period January
10 2011 through December 2011.

11 Q. Does this conclude your testimony?

12 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment (PGA) True-Up

DIRECT TESTIMONY OF MICHELLE D. NAPIER

On behalf of

Florida Public Utilities Company

DOCKET NO. 120003-GU

- 7 Q. Please state your name and business address.
- 8 A. My name is Michelle D. Napier. My business address is 1641 Worthington Road,
- 9 Suite 220, West Palm Beach, Florida 33409.
- 10 Q. By whom are you employed and in what capacity?
- 11 A. I am employed by Florida Public Utilities Company (FPUC) as the Senior Regulatory
- 12 Analyst.
- 13 Q. Can you please provide a brief overview of your educational and employment
- 14 background?
- 15 A. I graduated from University of South Florida in 1986 with a BS degree in Finance. I
- 16 have been employed with FPUC since 1987. During my employment at FPUC, I have
- 17 performed various roles and functions in accounting, management and most recently,
- 18 regulatory accounting (PGA, conservation, surveillance reports, regulatory reporting).
- 19 Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the Company
- 20 and the associated projected and actual revenues and costs?
- 21 A. Yes.
- 22 Q. What is the purpose of your testimony in this docket?
- 23 A. My testimony will establish the PGA "true-up" collection amount, based on actual
- 24 2011 data and projected 2012 data. My testimony will describe the Company's
- 25 forecast of pipeline charges and commodity costs of natural gas for 2013. Finally, I

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1 will summarize the computations that are contained in composite exhibit MDN-5
2 supporting the January through December 2013 projected PGA recovery (cap) factor
3 for the FPUC consolidated gas division.

4 Q. Did you complete the schedules filed by your Company?

5 A. Yes.

6 Q. Which of the Staff's set of schedules has your company completed and filed?

7 A. The Company has prepared and previously filed True-Up schedules A-1, A-2, A-3, A-
8 4, A-5, A-6 and A-7, in addition to filing composite exhibit MDN-2 that contains
9 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the FPUC consolidated gas division.
10 These schedules support the calculation of the PGA recovery (cap) factor for January
11 through December 2013.

12 Q. What is the appropriate final PGA true-up amount for the period January through
13 December 2011?

14 A. As shown on Schedule E-4, the final PGA true-up amount for the period January
15 through December 2011 is an over-recovery of \$258,415, inclusive of interest.

16 Q. What is the projected PGA true-up amount for the period January through December
17 2012?

18 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
19 recovery of \$1,007,799, inclusive of interest, for the period January through
20 December 2012.

21 Q. What is the projection period for this filing?

22 A. The projection period is January through December 2013.

23 Q. What is the total projected PGA true-up amount to be collected from or refunded to
24 customers for the period January through December 2013?

25 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the period

1 January through December 2013 is \$1,266,214.

2 Q. Please describe how the forecasts of pipeline charges and commodity costs of gas
3 were developed for the projection period.

4 A. The purchases for the gas cost projection model are based on projected sales to
5 traditional non-transportation service customers. Florida Gas Transmission
6 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges (including
7 surcharges) and fuel rates, at the time the projections were made, were used for the
8 entire projection period. As is further explained herein, the Company has also
9 included costs related to its expansion into Nassau County. The expected costs of
10 natural gas purchased by the Company during the projection period are developed
11 using actual prices paid during relevant historical periods and the New York
12 Mercantile Exchange (NYMEX) natural gas futures pricing through the end of the
13 projection period. The forecasts of the commodity costs are then adjusted to reflect
14 the unexpected potential market increases in the projection period.

15 Q. Please describe how the forecasts of the weighted average cost of gas are developed
16 for the projection period.

17 A. The Company has forecasted the 2013 weighted average cost of gas using the
18 projected monthly pipeline demand costs, less the projected cost of capacity
19 temporarily relinquished to third parties, the projected pipeline usage and no-notice
20 costs and the projected supplier commodity costs. The sum of these costs are then
21 divided by the projected therm sales to the traditional non-transportation customers
22 resulting in the projected weighted average cost of gas and ultimately the PGA
23 recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall, if any, would be
24 satisfied by gas and capacity repackaged and delivered by another FGT capacity

1 holder. If other services become available and it is economic to dispatch supplies
2 under those services, the Company will utilize those services as part of its portfolio.

3 Q. What is the status of the new agreement the Company entered into with Peninsula
4 Pipeline Company, Inc. (PPC)?

5 A. In 2012, the Company entered into a new agreement with PPC, an affiliated company,
6 to construct an intrastate pipeline, in conjunction with a joint pipeline with Tampa
7 Electric Company (TECO)/Peoples Gas Systems (PGS), which will provide capacity
8 and access to gas supplies needed to serve customers in Nassau County. The
9 Commission approved this contract, and noted that FPU would seek recovery of the
10 costs of the PPC capacity, upstream interstate pipeline capacity and commodity costs
11 incurred to serve customers in Nassau County through the Company's PGA
12 mechanism, in Order No. PSC-12-0230-PAA-GU.

13 Q. Are the costs associated with the PPC agreement and the additional interstate pipeline
14 capacity and supply costs appropriate for recovery in the PGA docket?

15 A. Yes. As part of an expansion of FPUC natural gas facilities, it was necessary to obtain
16 additional interstate and intrastate pipeline capacity to serve the Nassau County
17 customers. Periodic increases or decreases to capacity are necessary, as conditions
18 warrant, and capacity changes are appropriate for recovery in the PGA. Historically,
19 the Commission has allowed recovery of similar such costs through the clause, as long
20 as it is clear that such costs are reasonable and are not already being recovered through
21 the Company's base rates.

22 The Nassau County project was not included in the Company's previous rate case.
23 Subsequent to the merger with Chesapeake Utilities Corporation, and after
24 considering several pipeline options for service to Nassau County, the Company
25 entered into an agreement with PPC to obtain the necessary intrastate pipeline

1 capacity. The PPC bid was not only lower than other bids obtained, but PPC
2 indicated it could provide service by July 2012, which best met the needs for both the
3 Company and commercial customers in Nassau County. The costs associated with
4 this new contract, which the Commission has reviewed and approved, are reasonable
5 and based on market prices.

6 Q. Have additional costs been included in the Projections for 2013?

7 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2, the
8 Company has included Capacity cost from PPC, as well as estimated costs for
9 additional upstream capacity and supply to serve the new customers in Nassau
10 County.

11 Q. What benefits will the other customers on FPUC's natural gas system obtain from the
12 Nassau County customers?

13 A. All customers receive benefits when system expansions occur, primarily through the
14 allocation of fixed system costs to a larger customer base. Nassau County, being in
15 close proximity to Jacksonville, is expected to experience significant growth in the
16 near and long-term population forecasts. Over time, the Company believes that
17 significant customer growth will occur in the residential, commercial and small
18 industrial classifications, helping to keep overall customer rates lower.

19 Q. What is the appropriate PGA recovery (cap) factor for the period January through
20 December 2013?

21 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 93.410¢ per therm for
22 the period January through December 2013.

23 Q. What should be the effective date of the PGA recovery (cap) factor for billing
24 purposes?

25 A. The PGA recovery (cap) factor should be effective for all meter readings during the

1 period of January 1, 2013 through December 31, 2013.

2 Q. Does this conclude your testimony?

3 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **KANDI M. FLOYD**

5

6 **Q.** Please state your name and business address.

7

8 **A.** My name is Kandi M. Floyd. My business address is 702
9 N. Franklin Street, Tampa, Florida 33602.

10

11 **Q.** By whom are you employed and in what capacity?

12

13 **A.** I am employed by Peoples Gas System ("Peoples") as
14 Manager of State Regulatory, having held that position
15 since 2003.

16

17 **Q.** Please summarize your educational background and
18 professional qualifications.

19

20 **A.** I hold a B.A. in Business Administration from Saint Leo
21 University. From 1995 to 1997, I worked in a series of
22 positions within the Regulatory Affairs Department of
23 Tampa Electric Company. In 1998, I joined Peoples as a
24 Regulatory Coordinator in the Regulatory and Gas Supply
25 Department. In 2001, I became Peoples' Energy

1 Conservation/Regulatory Coordinator, and held that
2 position until assuming my current position in 2003.

3

4 **Q.** What are your primary responsibilities in your current
5 position with Peoples?

6

7 **A.** As Manager of State Regulatory, I am responsible for
8 managing the Purchased Gas Adjustment ("PGA") and Energy
9 Conservation Cost Recovery filings as well as various
10 regulatory activities of Peoples.

11

12 **Q.** Have you prepared or caused to be prepared certain
13 schedules for use in this proceeding?

14

15 **A.** Yes. As Composite Exhibit KMF-1, preparation of the
16 following schedule with respect to the final true-up for
17 the period January 2011 through December 2011: A-7 -
18 Final Fuel Over/Under Recovery.

19

20 **Q.** What was Peoples' cost of gas to be recovered through
21 the PGA clause for the period January 2011 through
22 December 2011?

23

24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
25 purchased, adjusted for company use, was \$202,573,291.

- 1 **Q.** What was the amount of gas revenue collected for the
2 period January 2011 through December 2011?
3
- 4 **A.** The amount of gas revenue collected to cover the cost of
5 gas was \$206,839,685.
6
- 7 **Q.** What was the final true-up amount for the period January
8 2011 through December 2011?
9
- 10 **A.** The final true-up amount for the period, including
11 interest and adjustments, is an over-recovery of
12 \$10,298,803.
13
- 14 **Q.** Is this amount net of the estimated true-up for the
15 period January 2011 through December 2011, which was
16 included in the January 2012 through December 2012 PGA
17 factor calculation?
18
- 19 **A.** No. The final true-up net of the estimated true-up for
20 the period January 2011 through December 2011 is an
21 under-recovery of \$1,667,465.
22
- 23 **Q.** Is this the final under-recovery amount to be included
24 in the January 2013 through December 2013 projection?
25

1 **A.** Yes.

2

3 **Q.** Does this conclude your testimony?

4

5 **A.** Yes.

6

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **KANDI M. FLOYD**

5
6 **Q.** Please state your name, business address, by whom you
7 are employed, and in what capacity?
8

9 **A.** My name is Kandi M. Floyd. My business address is
10 Peoples Gas System, 702 North Franklin Street, P.O. Box
11 2562, Tampa, Florida 33601-2562. I am employed by
12 Peoples Gas System ("Peoples" or the "Company") and am
13 the Manager of State Regulatory.
14

15 **Q.** Please describe your educational and employment
16 background.
17

18 **A.** I have a Bachelor of Arts Degree in Business
19 Administration from Saint Leo University. From 1995 to
20 1997, I was employed in a series of positions within the
21 regulatory affairs department of Tampa Electric Company.
22 In 1998, I joined Peoples Gas System as a Regulatory
23 Coordinator in the Regulatory and Gas Supply Department.
24 In 2001, I became the Energy Conservation / Regulatory
25 Administrator and in 2003 became the Manager of State

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1 Regulatory for Peoples Gas System. In this role, I am
2 responsible for managing the Purchased Gas Adjustment
3 ("PGA") and Energy Conservation Cost Recovery filings as
4 well as various regulatory activities for Peoples.
5

6 **Q.** What is the purpose of your testimony in this docket?
7

8 **A.** The purpose of my testimony is to describe generally the
9 components of Peoples' cost of purchased gas and
10 upstream pipeline capacity. In my testimony, I also
11 explain how Peoples' projected weighted average cost of
12 gas ("WACOG") for the January 2013 through December 2013
13 period was determined and the resulting requested
14 maximum PGA ("Cap").
15

16 **Q.** Please summarize your testimony.
17

18 **A.** I will address the following areas:
19

20 1. How Peoples will obtain its gas supplies during the
21 projected period.

22 2. Estimates and adjustments used to determine the
23 amount of gas to be purchased from Peoples' various
24 available sources of supply during the projected period.

25 3. Projections and assumptions used to estimate the

1 purchase price to be paid by Peoples for such gas
2 supplies.

3 4. The components and assumptions used to develop
4 Peoples' projected WACOG including the projected true-up
5 balance to be collected or refunded.

6

7 **Q.** What is the appropriate final purchased gas adjustment
8 true-up amount for the period January 2011 through
9 December 2011?

10

11 **A.** The final PGA true-up amount for the year 2011 is an
12 under-recovery of \$1,667,465.

13

14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2012 through December
16 2012?

17

18 **A.** The estimated PGA true-up amount for 2012 is an under-
19 recovery of \$514,244.

20

21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be collected during the period January 2013
23 through December 2013?

24

25 **A.** The total PGA true-up amount to be collected in 2013 is

1 an under-recovery of \$2,181,709.

2

3 **Q.** Have you prepared or caused to be prepared certain
4 schedules for use in this proceeding?

5

6 **A.** Yes. Composite Exhibit KMF-2 was prepared by me or
7 under my supervision.

8

9 **Q.** Please describe how Peoples will obtain its gas supplies
10 during the projected period of January 2013 through
11 December 2013.

12

13 **A.** All natural gas delivered through Peoples' distribution
14 system is received through three interstate pipelines.
15 Gas is delivered through Florida Gas Transmission
16 Company ("FGT"), through Southern Natural Gas Company
17 ("Southern") in Peoples' Jacksonville Division, and
18 through Gulfstream Natural Gas System ("Gulfstream") in
19 Peoples' Lakeland, Tampa, and Orlando Divisions.
20 Receiving gas supply through multiple interstate
21 pipelines provides valuable flexibility and reliability
22 to serve customers.

23

24 **Q.** In general, how does Peoples determine its sources of
25 supply?

1 **A.** Peoples evaluates, selects and utilizes sources of
2 natural gas supply on the basis of its "best value" gas
3 acquisition strategy. For a source of supply to be
4 identified as a "best value," it must offer the best
5 combination of price, reliability of supply, and
6 flexibility, consistent with Peoples' obligation as a
7 public utility to provide safe, adequate and efficient
8 service to the general public. Through a competitive
9 bidding process, Peoples has a portfolio of supply
10 sources from numerous third-party suppliers that reflect
11 balance between cost, reliability and operational
12 flexibility.

13
14 **Q.** Could Peoples purchase all third party supplies in
15 advance for a long term at the lowest available fixed
16 price in order to provide increased stability to its
17 cost of gas?

18
19 **A.** No. Peoples' quantity requirements for system supply
20 gas vary significantly from year to year, season to
21 season, month to month and, in particular, from day to
22 day. The demand for gas on the Peoples system can often
23 vary dramatically within a month from the lowest to the
24 highest requirement of its customers. In addition,
25 Peoples' transportation throughput will continue to

1 increase during the projected period as approximately 95
2 customers per month are continuing to transfer from
3 sales service to transportation service under the
4 NaturalChoice program. The actual takes of gas out of
5 the Peoples system by those same transporting customers
6 varies significantly from day to day. Since significant
7 portions of the total transportation volumes are
8 received by Peoples at a uniform daily rate, Peoples is
9 forced to increase or decrease the volumes purchased for
10 its own system supply by significant increments in order
11 to maintain a balance between receipts and deliveries of
12 gas each day. As a consequence, Peoples must buy a
13 portion of its total system requirements under swing
14 contract arrangements, and meet extreme variations in
15 delivered volumes by relying on swing gas, peaking gas,
16 pipeline balancing volumes and pipeline no notice
17 service at the prevailing rates for such services.

18
19 **Q.** How did Peoples estimate the amount of gas to be
20 purchased from various sources during the projected
21 period of January 2013 through December 2013?

22
23 **A.** Peoples' projected gas purchases are based on the
24 Company's preliminary total throughput of therms
25 delivered to customers projected for 2013, including

1 both sales of Peoples' system supply and transportation
2 deliveries of third party gas purchased by end-users of
3 Peoples. The throughput was then adjusted for the
4 anticipated level of transportation service, including
5 the anticipated conversions under the Company's
6 NaturalChoice program.

7
8 **Q.** How are revenues derived from Peoples' Swing Service
9 Charge accounted for through the PGA?

10
11 **A.** Customers who participate in the NaturalChoice program
12 pay a Swing Service Charge. The Swing Service Charge
13 covers costs included in the PGA for balancing the
14 difference between marketer-supplied gas and the
15 customers' actual consumption. The revenues from the
16 Swing Service Charge are credited to the PGA to offset
17 this expense.

18
19 **Q.** Is Peoples seeking a change in the Swing Service Charge?

20
21 **A.** Not at this time. However, to the extent a portion of
22 the swing costs are assigned to the PGA, Peoples may
23 seek to readdress its Swing Service Charge expenses and
24 the allocation thereof in a subsequent docket before the
25 Commission. This is because on November 1, 2012,

1 Peoples will begin its twelfth year of making
2 transportation service available to all non-residential
3 customers pursuant to Commission Order No. PSC-00-1814-
4 TRF-GU, issued October 4, 2000. Over the past twelve
5 years, both the number of transportation customers and
6 the volumes of natural gas tendered to Peoples for
7 transportation have increased dramatically. This
8 continued migration has increased the amount of natural
9 gas the Company purchases on a swing basis to cover all
10 customers' seasonal, weekly, and daily peaks. In
11 addition to the increase in the quantity of natural gas
12 supply purchased for Swing Service, the cost of natural
13 gas supply has increased significantly since the
14 inception of Peoples' NaturalChoice Program. Therefore,
15 the increased expenses associated with the provision of
16 Swing Service may need to be recalculated and allocated
17 based on current costs and transportation service
18 levels.

19
20 **Q.** How did you estimate the purchase price to be paid by
21 Peoples for each of its available sources of gas supply?
22

23 **A.** The price to be paid for natural gas is estimated based
24 on an evaluation of historical prices for gas delivered
25 to the FGT, Southern, and Gulfstream systems, futures

1 contracts as reported on the New York Mercantile
2 Exchange and forecasts of market prices for the
3 projection period of January 2013 through December 2013.
4 These prices are then adjusted to reflect the potential
5 for implied volatility increases and unexpected and
6 unforeseen increases due to market forces particularly
7 in the monthly and daily markets for natural gas prices
8 in the projection period.

9
10 **Q.** Referring to Schedules E-3 (A) through (G) of Composite
11 Exhibit KMF-2, please explain the components of these
12 schedules and the assumptions that were made in
13 developing the Company's projections.

14
15 **A.** Schedule E-3 (G) is a compilation of the monthly data
16 that appears on Schedules E-3 (A) through (F) for the
17 corresponding months of January 2013 through December
18 2013. In Schedules E-3 (A) through (F), Column (A)
19 indicates the applicable month for all data on the page.
20 In Column (B), "FGT" indicates that the volumes are to
21 be purchased from third party suppliers for delivery via
22 FGT interstate pipeline transportation. "SOUTHERN"
23 indicates that the volumes are to be purchased from a
24 third party supplier for delivery via Southern
25 interstate pipeline transportation. "GULFSTREAM"

1 indicates that the volumes are to be purchased from a
2 third party supplier for delivery via Gulfstream
3 interstate pipeline transportation. "THIRD PARTY"
4 indicates that the volumes are to be purchased directly
5 from various third party suppliers for delivery into
6 FGT, Southern, or Gulfstream.

7
8 In Column (C), "PGS" means the purchase will be for
9 Peoples' system supply and will become part of Peoples'
10 total WACOG. None of the costs of gas or transportation
11 for end-use purchases made by end-use customers of
12 Peoples are included in Peoples' WACOG. In Column (D),
13 purchases of pipeline transportation services from FGT
14 under Rate Schedules FTS-1 and FTS-2 are split into two
15 components, commodity (or "usage") and demand (or
16 "reservation"). Both Peoples and end-users pay the
17 usage charge based on the actual amount of gas
18 transported. The FTS-1 and FTS-2 commodity costs shown
19 include all related transportation charges including
20 usage, fuel and ACA charges. The FTS-1 and FTS-2 demand
21 component is a fixed charge based on the maximum daily
22 quantity of FTS-1 and FTS-2 firm transportation capacity
23 reserved. Similarly, the transportation rates of
24 Southern and Gulfstream also consist of two components,
25 a usage charge and a reservation charge. Individual

1 Transportation Service customers reimburse Peoples or
2 directly pay FGT for all pipeline reservation charges
3 associated with the transportation capacity that Peoples
4 reserves and uses on their behalf.

5
6 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
7 (or "NNTS") means FGT's no notice service provided to
8 Peoples on a fixed charge basis for use when Peoples'
9 actual use exceeds scheduled quantities. "SWING
10 SERVICE" means the demand and commodity component of the
11 cost of third party supplies purchased to meet Peoples
12 "swing" requirements for supply that fluctuate on a day-
13 to-day basis. "COMMODITY" means third party purchases of
14 gas transported on FGT, Southern or Gulfstream and does
15 not include any purchases of sales volumes from FGT.

16
17 Column (E) shows the monthly quantity in therms of gas
18 purchased by Peoples for each category of system supply.
19 Column (F) shows the gas purchased by end-users for
20 transportation.

21 Column (G) is the total of Columns (E) and (F) in each
22 row.

23 Columns (H), (I), (J) and (K) show the corresponding
24 third party supplier commodity costs, pipeline
25 transportation commodity costs, pipeline transportation

1 reservation costs, and other charges (e.g., balancing
2 charges), respectively. These costs are determined
3 using the actual amounts paid by Peoples. In the case
4 of end-user transportation, these costs are reimbursed
5 to Peoples or paid directly to FGT. All ACA and fuel
6 charges are included in the commodity costs in Column
7 (I) and, therefore, are not shown in Column (K).

8 Column (L) in each row is the sum of Columns (H), (I),
9 (J) and (K) divided by Column (G).

10
11 **Q.** Please explain the components of these schedules and the
12 assumptions that were made in developing the Company's
13 projections.

14
15 **A.** Schedule E-1 is shown in three versions. Page 18
16 relates to Cost of Gas Purchased, Therms Purchased, and
17 Cents Per Therm for Combined Rate Classes, Page 19
18 relates to Residential Customers, and Page 20 relates to
19 Commercial Customers.

20
21 The costs associated with various categories or items
22 are shown on lines 1 through 14. Line 6 on Schedule E-1
23 include legal expenses associated with various
24 interstate pipeline dockets such as tariff filings,
25 seasonal fuel filings, certification proceedings and a

1 Southern rate proceeding scheduled to begin no later
2 than March 2013 with an anticipated effective date of
3 September 2013. These expenses have historically been
4 included for recovery through the Purchased Gas
5 Adjustment Clause because they are fuel related
6 expenses. The volumes consumed for similar categories
7 or items are shown on lines 15 through 27, and the
8 resulting effective cost per therm rate for each similar
9 category or item is contained on lines 28 through 45.

10
11 The data shown on Schedule E-1 are taken directly from
12 Schedules E-3 (A) through (F) for the months of January
13 2013 through December 2013.

14
15 **Q.** What information is presented on Schedule E-1/R of
16 Composite Exhibit KMF-2?

17
18 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
19 months actual and five months estimated data for the
20 current period from January 2012 through December 2012
21 for all combined customer classes.

22
23 **Q.** What information is presented on Schedule E-2 of
24 Composite Exhibit KMF-2?

1 **A.** Schedule E-2 of Composite Exhibit KMF-2 shows the amount
2 of the prior period over/under recoveries of gas costs
3 that are included in the current PGA calculation.
4

5 **Q.** What is the purpose of Schedule E-4 of Composite Exhibit
6 KMF-2?
7

8 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the
9 calculation of the estimated true-up amount for the
10 January 2012 through December 2012 period. It is based
11 on actual data for seven months and projected data for
12 five months.
13

14 **Q.** What information is contained on Schedule E-5 of
15 Composite Exhibit KMF-2?
16

17 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical
18 data that includes the projected therm sales and numbers
19 of customers by customer class for the period from
20 January 2013 through December 2013.
21

22 **Q.** How have you incorporated the Residential PGA factor and
23 the Commercial PGA factor in the derivation of the PGA
24 cap for which the company seeks approval?
25

1 **A.** On April 5, 1998, the Commission issued Order No. PSC-
2 99-0634-FOF-GU as a Proposed Agency Action in Docket No.
3 981698-GU, and the Order subsequently became final.
4 This Order approved Peoples Gas' request for approval of
5 a methodology for charging separate Purchased Gas
6 Adjustment factors for different customer classes.
7 Under the approved methodology, separate PGA factors are
8 derived by assigning the fixed, interstate pipeline
9 reservation costs to each customer class according to
10 the class' contribution to the company's peak month
11 demand for the winter season and the summer season.
12 Exhibit KMF-2, Page 41 of 41, labeled Attachment,
13 contains the seasonal peak allocation factors based on
14 the most recent peak month data available, January 2012
15 and April 2012. These allocation factors are then
16 applied to Schedule E-1 to derive the Residential,
17 Commercial and Combined for All Rate Classes. The WACOG
18 for which Peoples seeks approval as the annual cap is
19 the Residential factor of \$.92549 per therm as shown in
20 Schedule E-1. This annual cap will be applicable to all
21 rate classes.

22
23 **Q.** Does this conclude your testimony?
24

25 **A.** Yes, it does.

Final True-Up January 2011 - December 2011

- 1
- 2 Q. What were the total therm sales for the period January
- 3 2011 through December 2011?
- 4 A. Total therm sales were 1,155,387 therms.
- 5 Q. What were total therm purchases for the period January
- 6 2011 through December 2011?
- 7 A. Total therm purchases were 1,047,740.
- 8 Q. What was the cost of gas to be recovered through the
- 9 PGA for the period January 2011 through December 2011?
- 10 A. The cost of gas purchased for January 2011 through
- 11 December 2011 was \$688,956.74.
- 12 Q. What was the amount of gas revenue collected for the
- 13 period January 2011 through December 2011?
- 14 A. The amount of gas revenue collected to cover the cost
- 15 of gas was \$793,836.
- 16 Q. What is the total true-up provision for the period
- 17 January 2011 through December 2011?
- 18 A. The total true-up provision, including interest, is an
- 19 over-recovery of \$104,829.23 for the period.
- 20 Q. What is the amount of estimated true-up included for
- 21 January 2011 thru December 2011 in the January 2012
- 22 through December 2012 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
- 24 thru December 2011 included in the January 2012 through
- 25 December 2012 PGA factor calculation was an over-

1 recovery of \$116,304.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2011 period to be included in the
4 January 2013 through December 2013 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2013 through December 2013
7 projection is \$11,474.77.

8 Q. Does this conclude your testimony?

9 A. Yes

10

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Recovery)
)
_____)

Docket No. 120003-GU
Submitted for filing
September 12, 2012

DIRECT TESTIMONY OF ANDY SHOAF ON
BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.

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Q. Please state your name, business address, by whom
you are employed and in what capacity.

A. Andy Shoaf, 301 Long Avenue, Port St. Joe,
Florida 32456, St. Joe Natural Gas Company in the
capacity of V-President and Regulatory Affairs.

Q. What is the purpose of your testimony?

A. My purpose is to submit known and estimated gas
costs and therm sales from January 1, 2012 through
December 31, 2012, used in developing the maximum twelve
month levelized purchased gas cost factor to be applied
to customer bills from January 1, 2013 through
December 31, 2013.

Q. Have you prepared any exhibits in conjunction with
your testimony?

A. Yes, I have prepared and filed on **Sept. 12, 2012**
Schedules E-1 through E-5.

Q. What Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2013 through December 31, 2013?

3 A. 70.10 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 **CHAIRMAN BRISÉ:** At this time we are going to
2 go to our decision.

3 Commissioner Balbis.

4 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

5 I want to thank staff and all the parties in
6 working on this docket and stipulating all the issues of
7 this docket. I think it makes our job easier,
8 especially when all the parties are in agreement. So
9 with that, I move that we approve all of the issues as
10 stipulated in Docket 120003.

11 **CHAIRMAN BRISÉ:** Okay. Is there a second?

12 **COMMISSIONER EDGAR:** Second.

13 **CHAIRMAN BRISÉ:** Okay. It has been moved and
14 seconded. All in favor say aye.

15 (Vote taken.)

16 **CHAIRMAN BRISÉ:** All right. Thank you very
17 much.

18 Seeing that we have approved all issues in
19 this docket, I think we are in the proper posture to
20 close this docket. And since we have made a bench
21 decision, there is no need for post-hearing briefs, and,
22 therefore, the final order for this docket will be
23 released on December 1, 2012.

24 Thank you very much, Commissioners, for your
25 hard work today on this one.

(The hearing concluded at 9:42 a.m.)

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1 STATE OF FLORIDA)

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON)

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5 I, JANE FAUROT, RPR, Chief, Hearing Reporter
6 Services Section, FPSC Division of Commission Clerk, do
7 hereby certify that the foregoing proceeding was heard
8 at the time and place herein stated.

9 IT IS FURTHER CERTIFIED that I
10 stenographically reported the said proceedings; that the
11 same has been transcribed under my direct supervision;
12 and that this transcript constitutes a true
13 transcription of my notes of said proceedings.

14 I FURTHER CERTIFY that I am not a relative,
15 employee, attorney or counsel of any of the parties, nor
16 am I a relative or employee of any of the parties'
17 attorney or counsel connected with the action, nor am I
18 financially interested in the action.

19 DATED THIS 7th day of November, 2012.

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JANE FAUROT, RPR
FPSC Official Commission Reporter
(850) 413-6732