

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

August 6, 2024

VIA E-PORTAL

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


Re: Docket No. 20240003-GU – Purchased Gas Adjustment (PGA) True Up.

Dear Mr. Teitzman:

Attached for filing, please find the Testimony of Jeffrey Bates on behalf of Florida Public Utilities Company and Florida City Gas.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

(Actual/Estimated and Projections)

DIRECT TESTIMONY

OF JEFFREY B BATES

On behalf of Florida Public Utilities Company and Florida City Gas

Q. Please state your name and business address.

A. My name is Jeffrey Bates. My business address is 331 W. Central Ave, Suite 238, Winter Haven, FL 33880.

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

A. I am employed by Florida Public Utilities Company (“FPUC” or “Company”) as a Senior Energy Logistics Analyst.

Q. Can you please provide a brief overview of your educational and employment background?

A. I graduated from Delaware State University in 1994 with a Bachelor’s of Science degree in Accounting. I graduated from Wilmington University in 1999 with a Masters of Business Administration. I have been employed by FPUC since January of 1996.

Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the Company and the associated projected and actual revenues and costs?

A. Yes.

Q. Have you ever testified before the Florida Public Service Commission (“FPSC”)?

1 A. Yes.

2 **Q. Are you sponsoring any Exhibits in this case?**

3 A. No. Numerical references made in my testimony relate to Exhibit SKL-1 and
4 Exhibit SKL-2 being sponsored by Stacey Laster.

5 **Q. Have there been any changes in the PGA filing compared to the prior year?**

6 Yes, as noted in the testimony of Company witness Stacey Laster.

7 **Q. Please describe how the forecasts of pipeline charges and commodity costs
8 of gas were developed for the projection period.**

9 A. The purchases for the gas cost projection model are based on projected sales to
10 traditional non-transportation service customers. Florida Gas Transmission
11 Company's ("FGT") FTS-1, FTS-2, FTS-3, NNTS-1, and ITS-1 Gulfstream
12 Natural Gas, and the Florida Southeast Connection ("FSC") effective charges
13 (including surcharges) and fuel rates, based on the prices from the FGT,
14 Gulfstream posted rates and FSC rates from a precedent agreement. These were
15 used for the entire projection period. As is further explained herein, the
16 Company has also included costs related to the various expansion projects in the
17 counties of Palm Beach, Polk and Nassau. FPUC has entered into an Asset
18 Management Agreement ("AMA") with Emera Energy to help facilitate the
19 delivery of natural gas in the northeast division. Also, the Company has
20 included costs related to compressed and liquified natural gas used to bring
21 supply to areas as a virtual pipeline for emergency and planned services. The
22 expected costs of natural gas purchased by the Company during the projection
23 period were developed using actual prices paid during relevant historical periods

1 and the Henry Hub natural gas futures settlements provided by the Nymex plus
2 the locational basis settlements at FGT Zone 3 provided by Intercontinental
3 Exchange through the end of the projection period. The forecasts of the
4 commodity costs were then adjusted to reflect the unexpected potential market
5 increases in the projection period.

6 **Q. Please describe how the forecasts of the weighted average cost of gas are**
7 **developed for the projection period.**

8 A. The Company has forecasted the 2025 weighted average cost of gas using the
9 projected monthly pipeline demand costs, less the projected cost of capacity
10 temporarily relinquished to third parties, the projected pipeline usage and no-
11 notice costs and the projected supplier commodity costs. The weighted average
12 cost of gas also includes projected costs related to our purchased gas functions
13 and anticipated a credit for the swing service rider. The sum of these costs is
14 then divided by the projected therm sales to the traditional non-transportation
15 customers resulting in the projected weighted average cost of gas and ultimately
16 the PGA recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall if
17 any, would be satisfied by gas and capacity repackaged and delivered by another
18 FGT, or Gulfstream capacity holder. If other services become available and it
19 is economic to dispatch supplies under those services, the Company will utilize
20 those services as part of its portfolio.

21 **Q. Are the pipeline capacity and supply costs associated with expansions**
22 **appropriate for recovery in the PGA docket?**

1 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
2 upstream transmission pipeline capacity, transportation and related supply costs
3 associated with service expansions to new areas.

4 **Q. Did you include costs of other expansions or interconnects related to Florida**
5 **Public Utilities Company and Florida City Gas in the calculations of your**
6 **true-up and projected amounts?**

7 A. Yes. There is a Local Distribution Company (“LDC”) to LDC interconnect with
8 TECO/PGS and FPUC (former CFG facilities) for pressure stabilization of
9 FPUC’s system in Hernando County. There is also an interconnection to
10 FPUC’s facilities for Gulfstream’s Baseball City Gate southward through
11 Davenport and Haines City and the expansion into Escambia County. There is
12 an interconnection to FPUC’s facilities from a new Gulfstream gate station in
13 Auburndale. There are additional expansion projects and reinforcement projects
14 that will enhance delivery in Hillsborough and Polk counties serving FPUC
15 customers. The East Coast Reinforcement Projects will increase supply
16 capability and enhance reliability to FPUC’s service territories in Boynton
17 Beach and New Smyrna Beach. There are multi-phase expansion projects in
18 Nassau County that will serve FPUC Residential and Commercial customers.
19 Finally, there is an expansion project in the area of St. Cloud, Florida that will
20 serve projected growth for FPUC customers. Additionally, for FCG the Indian
21 River, Brevard and Medley reinforcement and expansion projects.

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1 **Q. Please explain the Swing Service Rider.**

2 A. In Docket No. 20160085-GU, prior to the consolidation that took place in
3 Docket No. 20220069-GU, Florida Public Utilities Company, the Florida
4 Division of Chesapeake Utilities Corporation, and the Florida Public Utilities
5 Company divisions for Indiantown and Ft. Meade filed a joint petition for
6 approval of the Swing Service Rider. The Swing Service Rider was developed
7 to allocate a portion of intrastate capacity and balancing costs to transportation
8 service customers on FPUC's system (i.e., customers who are not part of the
9 current PGA mechanism) as well as shippers that are not part of the TTS pools.
10 The Commission approved the Swing Service ride by Order No. PSC-2016-
11 0422-TRF-GU, stating that "We believe that the implementation of the proposed
12 swing service rider will enable the Companies to recover their costs while
13 allocating the costs in a more equitable manner across customer classes."
14 Similarly, by Order No. PSC-2024-0076-TRF-GU, the Commission approved a
15 similar mechanism for FCG.

16 **Q. What is the effect of Swing Service Rider on PGA costs?**

17 A. As shown on Schedule E-1, these mechanisms result in a reduction to PGA costs
18 of \$23,502,643.

19 **Q. Have the appropriate related costs and credits been included in the
20 Projections for 2025?**

21 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit SKL-1,
22 the Companies have included the costs of existing and planned interstate and

1 intrastate capacity agreements, as well as the costs associated with the Swing
2 Service Rider as described above.

3 **Q. Did you include costs in addition to the costs specific to purchased gas in**
4 **the calculations of your true-up and projected amounts?**

5 A. Yes, we have included consulting and legal expenses to assist in the
6 advancement of our PGA processes. Additionally, the Companies have included
7 costs associated with a software tool used by the FPUC to manage customer
8 usage and assist in determining the gas supply needs for the rate classes subject
9 to the PGA. This new system went live in May of 2022. We anticipate this
10 tool will be adopted by FCG as well. These costs directly influence the
11 Companies' PGA factors and are appropriate for recovery through the PGA
12 clause. The Companies have also included legal expenses related to the FGT
13 rate case. Also, in addition to these costs, there is a level of payroll included for
14 employees directly involved in the PGA process, which is similar to payroll
15 included in the Companies' conservation clauses

16 **Q. Please explain how these costs were determined to be recoverable under the**
17 **PGA clause.**

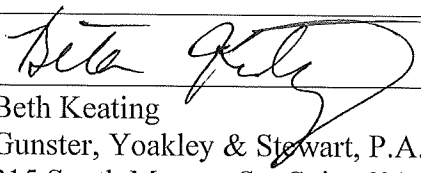
18 A. The costs the Company has included are integrally related to the gas purchase
19 function and were not anticipated or included in the cost levels used to establish
20 the current base rates. These costs relate to the Company's optimization of fuel
21 supply in an effort to protect current fuel savings, and directly benefit our
22 customers. These costs have historically been allowed for recovery through the
23 PGA and are not being recovered through the Companies' base rates.

- 1 **Q. What is the projection period for this filing?**
- 2 A. The projection period is January through December 2025.
- 3 **Q. Does this conclude your testimony?**
- 4 A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 6th day of August 2024:

Florida Public Utilities Company Mike Cassel 208 Wildlight Ave Yulee, Florida 32097 mcassel@fpuc.com	J. Jeffrey Wahlen Malcolm Means Virginia Ponder Ausley & McMullen P.O. Box 391 Tallahassee, FL 32302 jwahlen@ausley.com mmeans@ausley.com vponder@ausley.com
Daniel Dose, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 ddose@psc.state.fl.us discovery-gcl@psc.state.fl.us	Office of Public Counsel Walter Trierweiler/Charles Rehwinkel/Patricia Christensen/M. Wessling c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 christensen.patty@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Wessling.Mary@leg.state.fl.us
Peoples Gas System Paula Brown/Karen Bramley/Nora Bordine P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com klbramley@tecoenergy.com nmbordine@tecoenergy.com	St. Joe Natural Gas Company, Inc. Andy Shoaf/Debbie Stitt P.O. Box 549 Port St. Joe, FL 32457-0549 Andy@stjoegas.com dstitt@stjoegas.com
Miguel Bustos, Manager/Regulatory Florida City Gas 4045 NW 97th Ave. Doral, FL 33178 mbustos@chpk.com	Michelle D. Napier Director, Regulatory Affairs Distribution Florida Public Utilities Company 1635 Meathe Drive West Palm Beach, Florida 33411 mnapier@fpuc.com


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706