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**FCG's Response to Staff's First
Interrogatories Nos. 1–6**

Florida City Gas
Docket No. 20220003-GU
Staff's First Set of Interrogatories
Interrogatory No. 1
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QUESTION:

What specific methodology does FCG employ to adjust (flex or not flex) its monthly purchased gas adjustment recovery factor? Please be as specific as possible.

RESPONSE:

FCG performs a monthly calculation that includes actual and projected under and over recoveries. The projection portion consists of distributed procurement volumes between monthly baseload purchases and daily spot purchases. FCG procures approximately half of its projected PGA Therm consumption ahead of the month either at FGT Zonal Indices or on a locational basis at the Nymex Henry Hub Index for the month. FCG assumes that it will be able to procure the balance daily at spot prices. For pricing, the calculations are based on actual Nymex or zonal index settlements for the month. Spot prices for the upcoming month are estimated by adding the premium/discount of FGT zonal and Henry Hub spot prices of the previous month to the monthly indices to the monthly indices for the upcoming month.

QUESTION:

What specific methodology does FCG employ to set its PGA Factor? Please be as specific as possible.

RESPONSE:

The annual PGA cap is calculated based on 6 months of actual natural gas costs and six months of estimated costs. The estimated cost is described in FPL's response to Staff's First Set of Interrogatories, No. 3. A "per therm" cost is developed for the weighted average cost of gas for the projected twelve-month period. However, this rate, which is based on the average of the winter and summer seasons, would lead to over or under-recoveries of gas costs in the two seasons. This problem is mitigated by establishing a maximum levelized PGA Factor, or cap, based on the Company's expected winter cost of gas, thereby reducing the potential for large under-recoveries in the winter season when natural gas supply prices are typically higher. The Company is then able to flex the rate downward in the summer in order to match market conditions and reduce the potential for large over-recoveries in the summer season when natural gas supply prices are typically lower.

FCG also applies true-up factors to the calculation of the corresponding over/under recoveries for the prior and current periods.

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Interrogatory No. 3
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QUESTION:

Please describe the forecasting methodology the Company used to establish its 2023 forecast of natural gas costs as appears in the Testimony of Miguel Bustos, Exhibit MB-2, Schedule E-1 (2023 Cost Recovery Clause Calculation) filed August 5, 2022. Please be as specific as possible.

RESPONSE:

To calculate natural gas costs, FCG estimates the City Gate price by adding a purchased gas price based on forecasted NYMEX prices, the historical FGT zonal basis from the prior 12 months, the current Florida Gas Transmission fuel cost, and swing option premium. The swing option premium is estimated by using the historical spot price premium in relation to the base load procurement cost. This forecast City Gate price multiplied by projected consumption is used to calculate the monthly natural gas cost

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QUESTION:

Identify any changes to FCG's forecast methodology discussed in response to Interrogatory No. 3 that may be different from the methodology used by FCG in past years.

RESPONSE:

FCG has not changed its forecast methodology from the methodology used in previous years.

QUESTION:

Please refer to the Testimony of Miguel Bustos, Exhibit MB-2, Schedule E-1 (2023 Cost Recovery Clause Calculation), filed on August 5, 2022. Line 6 identifies that \$1,613,726 in "Other Costs" are projected for the January through December 2023 period. Please describe what specific items are included in the \$1,613,726 in "Other Costs" that are identified on this Schedule.

RESPONSE:

The projected "Other Costs" consist of the following:

- Natural gas procurement from a third-party utility to supply service to two small communities and hospital at the border of FCG's service territory.
- Temporary supply of compressed natural gas to new commercial and residential customers in the Indian River County while new pipeline infrastructure is completed.
- Internal administrative costs associated with the procurement, transportation, balancing and trading of gas supply and capacity that are incremental to and not recovered in base rates.

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QUESTION:

Please refer to the Testimony of Miguel Bustos, Exhibit MB-2, Schedule E-1/R (2022 Actual/Estimated Cost Recovery Schedule), filed on August 5, 2022. Line 27 provides data for Total Therm Sales (actual data for January through June, 2022, and estimated data for July through December, 2022). Please describe how the amounts shown on Line 27 for January through June, 2022 were calculated.

RESPONSE:

January through June 2022 Therm Sales are based on actual recorded sales. July through December 2022 Therm Sales are a forecast, which was developed using econometric and regression models as the primary tools. This includes exponential smoothing models and historical averages.

DECLARATION

I, Miguel Bustos, sponsored the answers to Interrogatory Nos. 1-6 from **Staff's First Set of Interrogatories (Nos. 1-6)** to Florida City Gas Company in Docket No. 20220003-GU, and the responses are true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

A handwritten signature, appearing to be 'Miguel', is written inside an oval shape.

Miguel Bustos

Date: 9 | 21 | 2022