

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

 In the Matter of : DOCKET NO. 960003-GU
 Purchased Gas Adjustment :
 (PGA) True-up. :



PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
 COMMISSIONER JULIA L. JOHNSON
 COMMISSIONER DIANE K. KIESLING

DATE: Wednesday, February 21, 1996

TIME: Commenced at 9:30 a.m.
 Concluded at 9:40 a.m.

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

REPORTED BY: ROWENA NASH HACKNEY
 Official Commission Reporter

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION

02500 FEB 29 96

FPSC-RECORDS/REPORTING

1 **APPEARANCES:**

2 **SHEILA ERSTLING, and MARY E. CULPEPPER,**
3 Florida Public Service Commission, Division of Legal
4 Services, 2540 Shumard Oak Boulevard, Tallahassee,
5 Florida 32399-0870, Telephone No. (904) 413-6199,
6 appearing on behalf of the **Commission Staff.**

7 **JOHN ROGER HOWE, Deputy Public Counsel,**
8 Office of Public Counsel, 111 West Madison Street,
9 Room 812, Tallahassee, Florida 32399-1400, Telephone
10 No. (904) 488-9330, appearing on behalf of the
11 **Citizens of the State of Florida.**

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I N D E X

MISCELLANEOUS

3	WITNESSES	PAGE NO.
4	A. V. WOOD	8
5	Prefiled direct testimony inserted into the record by stipulation	
6	MICHAEL A. PALECKI	21
7	Prefiled direct testimony inserted into the record by stipulation	
8		
9	G. BACHMAN	26
10	Prefiled direct testimony inserted into the record by stipulation	
11	SCHNEIDERMAN	31
12	Prefiled direct testimony inserted into the record by stipulation	
13		
14	BRIAN J. POWERS	35
15	Prefiled direct testimony inserted into the record by stipulation	
16		
17	W. EDWARD ELLIOTT	37
18	Prefiled direct testimony inserted into the record by stipulation	
19	J. MELENDY	54
20	Prefiled direct testimony inserted into the record by stipulation	
21		
22	L. DEFRAIN	61
23	Prefiled direct testimony inserted into the record by stipulation	
24	STUART SHOAF	71
25	Prefiled direct testimony inserted into the record by stipulation	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

WITNESSES CONTINUED:

PAGE NO.

T. GOODWIN
Prefiled direct testimony
inserted into the record
by stipulation

75

EXHIBITS

NUMBER	ID.	ADMTD.
1 (AVW-1)	7	7
2 (AVW-2)	7	7
3 (MAP-1)	7	7
4 (GBM-1)	7	7
5 (GBM-2)	7	7
6 (BJP-1)	7	7
7 (EE-1)	7	7
8 (EE-2)	7	7
9 (JHM-2)	7	7
10 (LD-1)	7	7
11 (LD-2)	7	7
12 (SJNG-1)	7	7
13 (SJNG-2)	7	7
14 (SJNG-3)	7	7
15 (SJNG-4)	7	7
16 (SJNG-5)	7	7
17 (TG-1)	7	7
18 (TG-2)	7	7

P R O C E E D I N G S

(Hearing convened at 9:30 a.m.)

COMMISSIONER DEASON: We'll go ahead and call the hearing to order. We'll begin with having the notice read, please.

MS. ERSTLING: This time and place was noticed for a hearing in Dockets 960001-EI, Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor. Docket No. 960002-EG, Conservation Cost Recovery Clause, Docket No. 960003-GU, Purchased Gas Adjustment, and Docket No. 960007-EI, Environmental Cost Recovery Clause on January 18, 1996.

COMMISSIONER DEASON: Thank you. We'll take appearances.

MR. HOWE: Commissioners, I'm Roger Howe with the Office of Public Counsel, appearing on behalf of the Citizens of the State of Florida in the 01, 02, 03, and 07 dockets.

MS. ERSTLING: Sheila Erstling appearing for Staff in 960002 docket, and Sheila L. Erstling and Beth Culpepper appearing for Staff in 960003 docket.

COMMISSIONER DEASON: Okay, thank you. Ms. Erstling, I understand that we have two dockets that have been completely stipulated. Is that

1 correct?

2 MS. ERSTLING: That's correct, Dockets
3 960003 and 0007 have been fully stipulated.

4 COMMISSIONER DEASON: I would propose then
5 that we go ahead and dispose of the necessary business
6 in those dockets. And I suppose then we could start
7 with the 03 docket.

8 All the issues in 03 have been stipulated;
9 and consistent with that stipulation, the prefiled
10 direct testimony of all witnesses as contained in the
11 Prehearing Order are to be inserted into the record as
12 though read; is that correct?

13 MS. ERSTLING: That is correct.

14 COMMISSIONER DEASON: And you so move that
15 then at this time?

16 MS. ERSTLING: Yes, I do move that in at
17 this time.

18 COMMISSIONER DEASON: And those are the
19 witnesses as listed on Page 5 of that order?

20 MS. ERSTLING: Yes, it is, sir.

21 COMMISSIONER DEASON: And for the record,
22 the prefiled direct testimony of all witnesses listed
23 on Page 5 of the Prehearing Order will be inserted
24 into the record as though read, and we need to
25 identify the exhibits to those witnesses as well.

1 Those witnesses -- I'm sorry, those exhibits
2 are contained on pages 9, 10, and 11 of the Order; is
3 that correct.

4 MS. ERSTLING: That is correct.

5 COMMISSIONER DEASON: And we will just begin
6 numbering those Exhibits 1 through the conclusion to
7 the last exhibit on Page 11. Do you have what
8 numbering that would be? What would be the last
9 exhibit number?

10 MS. ERSTLING: No, sir, I did not number
11 them, but it will take me just a moment.

12 COMMISSIONER DEASON: That would be 18? 1
13 through 18?

14 MS. ERSTLING: 1 through 18.

15 COMMISSIONER DEASON: So those exhibit will
16 be identified as Exhibits 1 through 18. And
17 consistent with the stipulation, Exhibits 1 through 18
18 will be admitted into the record without objection.

19 (Exhibit Nos. 1 through 18 marked for
20 identification and received in evidence.)

21

22

23

24

25

1 Q. Please state your name, occupation, and business
2 address.

3 A. My name is Anne V. Wood. I am Accounting and Rates
4 Manager of the Florida Division of Chesapeake Utilities
5 Corporation. My business address is 1015 6th Street,
6 N. W., Winter Haven, Florida 33882.

7 Q. Describe briefly your educational background and
8 relevant professional background.

9 A. I have a Bachelor of Arts Degree in Business
10 Administration/Accounting from Franklin and Marshall
11 College, Lancaster, Pennsylvania. I am also a licensed
12 Certified Public Accountant in New Jersey but am
13 inactive at this time. I was employed by Chesapeake
14 Utilities in March of 1988 as a Corporate Accountant.
15 In September 1989, I was promoted to the position of
16 Accounting Manager for the Florida Division. In
17 January 1993, I also assumed the responsibilities of
18 Rates Manager.

19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is to discuss the final
21 true-up for the period April 1994 through March 1995.

22 Exhibits

23 Q. Would you please identify the Composite Exhibit which
24 you are sponsoring with this testimony?

25 A. Yes. As Composite Exhibit AVW-1, I am sponsoring the

1 following schedules with respect to the final true-up
2 for the period April 1994 through March 1995:

3 A-1 - Comparison of Actual Versus Original Estimate of
4 the Purchased Gas Adjustment Cost Recovery Factor -
5 October 1994 through September 1995.

6 A-1(2) - Purchased Gas Adjustment Cost Recovery Clause
7 Calculation - Schedule A-1 Supporting Detail - October
8 1994 through September 1995.

9 A-2 - Calculation of True-up and Interest Provision -
10 October 1994 through September 1995.

11 A-3 - Transportation Purchases - October 1994 through
12 September 1995.

13 A-4 - Transportation System Supply - October 1994
14 through September 1995.

15 A-5 - Therm Sales and Customer Data - October 1994
16 through September 1995.

17 A-6 - Conversion Factor Calculation - October 1994
18 through September 1995.

19 A-7 - Final Fuel Over/Under Recovery - April 1994
20 through March 1995.

21 Also attached are the individual PGA filings for the
22 months of October 1994 through September 1995.

23 Q. Were these schedules prepared under your direction and
24 supervision?

25 A. Yes, they were.

1 Final True-Up April 1994 - March 1995

- 2 Q. What were total therm sales for the period April
3 1994 through March 1995?
- 4 A. Total therm sales subject to the PGA were 37,912,813
5 therms.
- 6 Q. What were total therm purchases for the period April
7 1994 through March 1995?
- 8 A. Total therm purchases were 35,462,652 therms.
- 9 Q. What was the cost of gas to be recovered through the
10 PGA for the period April 1994 through March 1995?
- 11 A. The cost of gas purchased for the period was
12 \$7,794,771.
- 13 Q. What was the amount of gas revenue collected for the
14 period April 1994 through March 1995?
- 15 A. The amount of gas revenue collected to cover the cost
16 of gas was \$8,006,945.
- 17 Q. What is the total true-up provision for the period
18 April 1994 through March 1995?
- 19 A. The total true-up provision, including interest, is an
20 overrecovery of \$255,051 for the period.
- 21 Q. What is the amount of estimated true-up included for
22 April 1994 through March 1995 in the April 1995 through
23 March 1996 PGA factor calculation?
- 24 A. The amount of estimated true-up for the period April
25 1994 through March 1995 included in the April 1995

1 through March 1996 PGA factor calculation was an
2 overrecovery of \$254,409.

3 Q. What is the final over/underrecovery for the April 1994
4 through March 1995 period to be included in the April
5 1996 through March 1997 projection?

6 A. The final overrecovery for the April 1994 through March
7 1995 period to be included in the April 1996 through
8 March 1997 projection is \$642.

9 Q. Does this conclude your testimony?

10 A. Yes, it does.

1 Q. Please state your name, occupation, and business
2 address.

3 A. My name is Anne V. Wood. I am Accounting and Rates
4 Manager of the Florida Division of Chesapeake
5 Utilities Corporation. My business address is 1015
6 6th Street, N. W., Winter Haven, Florida 33882.

7 Q. Describe briefly your educational background and
8 relevant professional background.

9 A. I have a Bachelor of Arts Degree in Business
10 Administration/Accounting from Franklin and Marshall
11 College, Lancaster, Pennsylvania. I am also a
12 licensed Certified Public Accountant in New Jersey but
13 am inactive at this time. I was employed by
14 Chesapeake Utilities in March of 1988 as a Corporate
15 Accountant. In September 1989, I was promoted to the
16 position of Accounting Manager for the Florida
17 Division. In January 1993, I also assumed the
18 responsibilities of Rates Manager.

19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is to discuss the Florida
21 Division's calculation of its levelized purchased gas
22 cost factors for the twelve-month period April 1996
23 through March 1997.

24 Exhibits

25 Q. Would you please identify the Composite Exhibit which

1 you are sponsoring with this testimony?

2 A. Yes. As Composite Exhibit AVW-2, I am sponsoring the
3 following schedules with respect to the April 1996
4 through March 1997 levelized purchased gas cost factor
5 projection:

6 E-1 - PGA Calculation, Original Estimate for the
7 Projected Period April 1996 - March 1997. (Total
8 Company)

9 E-1 - PGA Calculation, Original Estimate for the
10 Projected Period April 1996 - March 1997 (Firm Sales
11 Customers)

12 E-1 - PGA Calculation, Original Estimate for the
13 Projected Period April 1996 - March 1997
14 (Interruptible Sales Customers)

15 E-1/R - PGA Calculation, Revised Estimate for the
16 Period April 1995 - March 1996 (Total Company)

17 E-1/R - PGA Calculation, Revised Estimate for the
18 Period April 1995 - March 1996 (Allocated Firm)

19 E-1/R - PGA Calculation, Revised Estimate for the
20 Period April 1995 - March 1996 (Allocated
21 Interruptible)

22 E-2 - Calculation of True-up Amount for the
23 Current Period April 1995 - March 1996

24 E-3 - Transportation Purchases for the Projected
25 Period April 1996 - March 1997

1

2

E-4 - Calculation of True-up Amount, Projected
Period April 1996 - March 1997

3

4

E-5 - Therm Sales and Customer Data for the
Projected Period April 1996 - March 1997

5

6

Q. Were these schedules prepared under your direction and
supervision?

7

8

A. Yes, they were.

9

Revised Estimate April 1995 - March 1996

10

Q. What is the revised estimate of total purchased gas
costs for the period April 1995 - March 1996?

11

12

A. The revised projection of purchased gas cost for the
current period is \$10,804,157.

13

14

Q. What is the revised projection of gas revenue to be
collected for the current period?

15

16

A. As shown on Schedule E-2 the company estimates the
total gas revenue to be collected during the period to
be \$11,052,798. This amount includes a refund of
prior period overcollections in the amount of
\$471,634. Therefore, the revenue collected to cover
the current period's gas cost is estimated to be
\$11,524,432.

17

18

19

20

21

22

23

Q. What is the revised true-up amount, including
interest, estimated for the April 1995 - March 1996
period?

24

25

1 A. The company estimates the revised true-up, including
2 interest, to be an overcollection of \$765,449.

3 April 1996 - March 1997 Projection

4 Q. How did you develop your projection of the Florida
5 Division's cost of gas for the April 1996 - March 1997
6 period?

7 A. Our first step was to estimate our supply requirements
8 for each of the twelve months in the period. Our
9 projected supply requirements are based on our
10 projected sales and company use for each month. Once
11 we develop our supply requirements, we can then
12 determine how these requirements will be met. In
13 other words, we match our estimated requirements with
14 the gas supply that is available to us. All of our
15 gas requirements will be met utilizing our "FTS" (firm
16 transportation service) contract entitlement for the
17 projected period of April 1996 - March 1997.

18 Q. Please describe the general steps or mechanics of
19 projecting the total cost of gas for the April 1996 -
20 March 1997 period.

21 A. As shown on Schedule E-1 (Total Company) lines 1 - 11,
22 the total cost of gas consists of the cost of no-
23 notice transportation service (NNTS) on FGT, the
24 demand and commodity costs of firm transportation
25 service (FTS) on FGT, and the commodity cost of gas

1 estimated to be paid to our suppliers during the
2 period.

3 The demand component of "NNTS" and "FTS" services
4 (lines 2 and 5) is based on the Florida Division's
5 contract levels with FGT and an estimation of FGT's
6 demand rates for these two services. The demand rates
7 utilized for NNTS, FTS-1, and FTS-2 service for the
8 period are the current rates in effect. During the
9 period of April 1996 - March 1997, our "FTS" contract
10 entitlement exceeds our monthly gas requirements.
11 Therefore, we will be paying demand charges in excess
12 of the volumes actually transported for system supply.
13 Whenever possible, the Florida Division will
14 relinquish excess capacity in order to lower its gas
15 cost to its ratepayers.

16 The commodity portions of transportation system
17 supply are shown on Schedule E-1, lines 1 and 4. The
18 commodity pipeline amount (line 1) is based on FGT's
19 "FTS" commodity rate multiplied by the number of
20 therms transported for system supply. The commodity
21 rate utilized for the period is the current rate in
22 effect.

23 The commodity other (line 4) is based on data
24 shown on Schedule E-3 which details our projected
25 direct supplier and/or producer purchases for the

1 twelve-month period. We projected the "FTS" commodity
2 cost on line 4 using a combination of analyses. We
3 analyzed the 1994 and 1995 monthly prices of natural
4 gas delivered to FGT by zone as reported in Inside
5 FERC Gas Market Report. We also reviewed the recent
6 NYMEX postings for the period January 1996 through
7 March 1997. We developed our monthly index price of
8 gas using the above data and allowing for seasonal
9 trends and current market pricing. To this average,
10 we added our suppliers' estimated margin and
11 compressor fuel.

12 Q. How did you project total firm and interruptible
13 sales?

14 A. Firm sales were projected based on historical averages
15 in each firm rate class. The interruptible sales
16 projection was based on a combination of a survey
17 method (i.e., talking with the customer), historical
18 consumption and management judgment. These projected
19 therm sales are found on Schedule E-1, line 27.
20 Company use volumes are shown on line 26.

21 Q. How did you project company use volumes?

22 A. Company use volumes were estimated based on our
23 current level of compressed natural gas usage by
24 company vehicles.

25 Q. Based on the projected total cost of gas and projected

- 1 sales, what is the system-wide average cost per therm
2 for the twelve-month period ended March 1997?
- 3 A. This figure is shown on Schedule E-1 (Total Company),
4 line 40, and is 29.673 cents per therm. To arrive at
5 the total PGA factor, the 29.673 cents per therm is
6 adjusted for the estimated total true-up through March
7 1996 (shown on Schedule E-4) and for revenue-related
8 taxes.
- 9 Q. What is the system-wide projected PGA factor for the
10 period April 1996 - March 1997?
- 11 A. The projected system-wide PGA factor for the period is
12 28.166 cents per therm.
- 13 Q. The estimated total true-up for the twelve months
14 ended March 1996 as calculated on Schedule E-4 is
15 included in the projected PGA factor for the period
16 April 1996 - March 1997. Please explain how it was
17 calculated.
- 18 A. The final true-up amount for the period April 1994 -
19 March 1995 is added to the estimated end of period net
20 true-up for April 1995 - March 1996. The April 1995
21 -March 1996 estimated true-up is based on eight
22 months' actual data plus four months' projected data.
- 23 Q. What is the impact of the total true-up for the twelve
24 months ended March 31, 1996 on the projected PGA
25 factor for the April 1996 - March 1997 period?

1 A. The projected true-up as of March 31, 1996 is an
2 overrecovery of \$766,091 (Schedule E-4). Dividing the
3 overrecovery by the April 1996 - March 1997 projected
4 therm sales of 37,631,884 results in a refund of 2.036
5 cents per therm to be included in the proposed PGA
6 factor.

7 Q. What is the maximum levelized purchased gas factor
8 (cap) that you are proposing for the April 1996 -
9 March 1997 period?

10 A. The maximum levelized purchased gas factor (cap) that
11 we are proposing for the period is 35.159 cents per
12 therm. This factor represents the projected firm
13 "winter" average cost of gas, plus the true-up and
14 taxes. Allocation of demand and commodity costs
15 between firm and interruptible rate classes results in
16 projected PGA factors for the twelve-month period,
17 including true-up and taxes, of 32.569 cents per therm
18 and 25.240 cents per therm for firm and interruptible
19 classes, respectively, for the period. However, since
20 the Company historically has experienced higher gas
21 costs during the winter months, the Company has
22 calculated a firm "winter" average cost of gas for the
23 months of October 1996 through March 1997 for the
24 purposes of establishing the maximum levelized
25 purchased gas cost factor (cap). This methodology

1 will allow us to minimize large underrecoveries during
2 the winter months, but allow us to flex downward in
3 the summer months in order to match current market
4 conditions and manage overrecoveries as well.

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MICHAEL A. PALECKI

1
2
3
4
5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 A. My name is Michael A. Palecki. My business address is 955 E. 25th Street,
7 Hialeah, FL 33013-3498.

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

9 A. I am currently employed by NUI Corporation (NUI) as Vice President of
10 Regulatory Affairs, for its Southern Division, which includes City Gas Company
11 of Florida ("City Gas" or "the Company"). The Southern Division also includes
12 the North Carolina, Maryland, New York and Pennsylvania operations of NUI
13 Corporation. I have held this position since September, 1995.

14 **Q. PLEASE DESCRIBE YOUR PRIOR UTILITY RELATED EXPERIENCE.**

15 From May 1989 to August 1995, I was employed with the Division of Legal
16 Services of the Florida Public Service Commission. I was initially employed as a
17 Staff Attorney. In 1990 I was promoted to the position of Chief of the Bureau
18 of Electric and Gas of the Commission Division of Legal Services. As Chief of
19 the Bureau of Electric and Gas, I participated and supervised attorneys in
20 dockets concerning utility rates, cogeneration, conservation, competition,
21 consumer issues power plant need, and territorial disputes. My experience in
22 utility regulation with the Florida Public Service Commission has given me the
23 knowledge and skills necessary to present this testimony.

24 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

25

1 A. I received a Bachelor of Arts degree in Communications from the State
2 University of New York at Geneseo in 1973 and a Juris Doctor degree from
3 Stetson University College of Law, in 1976.

4 **C. HAVE YOU PRESENTED TESTIMONY TO THIS COMMISSION?**

5 A. No. Although I have appeared as an attorney on many occasions before this
6 Commission, and have drafted testimony that has been filed with this
7 Commission, this is the first time I have presented testimony.

8 **Q. MR. PALECKI, WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to present the revised estimate of the
10 Company's projection of gas costs for the period October, 1995 through March,
11 1996. I will describe generally the Company's projection of gas costs and the
12 development of the maximum rate to be charged to customers for the period
13 April, 1996 through March 1997.

14 **Q. HAS THE COMPANY PREPARED THE FORMS AS PRESCRIBED BY THIS
15 COMMISSION FOR THIS PURPOSE.**

16 A. Yes. The forms prescribed by the Commission are being filed at this time.
17 Copies are attached to my testimony.

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

19 A. Yes. Under this methodology, which was adopted by Order No. PSC-93-0708-
20 FOF-GU of this Commission on May 10, 1993, gas companies are to project
21 their gas costs each twelve months for the ensuing twelve-month period ending
22 in March. A rate per therm is developed for the weighted average cost of gas
23 (WACOG). This rate, based on the average of the winter and summer seasons
24 would lead to over or underrecoveries of gas costs in the two seasons. This
25 problem is mitigated by establishing a maximum levelized purchased gas factor

1 underrecovery in that season. The Company is then able to flex downward in the
2 summer in order to match market conditions and eliminate the potential for a large
3 overrecovery for the remainder of the period.

4 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE AS**
5 **PROJECTED?**

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

9 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
10 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN ACTUAL AND**
11 **ESTIMATED COSTS?**

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

16 **Q. ARE ANY FGT RATE CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**
17 **FILING?**

18 A. No. Although Florida Gas Transmission is required to file a rate case by August 30,
19 1996, they have been unable at this early date to provide any meaningful estimate
20 of the precise date on which the case will be filed or the potential rate impact. If the
21 case is not filed until the outside date of August 30, the rates will likely be
22 suspended until March, 1997, the last month of the PGA period. Therefore, we do
23 not include any adjustment for the FGT rate case, since we do not expect the
24 impact to be material during the PGA period.

25

1 Q. CAN YOU SUMMARIZE THE CONTENTS OF THE SCHEDULES SUBMITTED AS
2 PART OF THIS FILING?

3 A. Yes. For the projected period April, 1996 through March, 1997, we estimate that
4 gas purchases for resale will be 85,262,077 therms at a total cost of \$33,662,333,
5 with a resulting WACOG of 39.481 cents per therm (before the application of the
6 true-up factor and the regulatory assessment fee). The difference between the
7 estimated actual and actual true-up for the prior period April, 1994 through March,
8 1995 is an overrecovery of \$46,056. The projected true-up for the current period
9 April, 1995 through March, 1996 is an underrecovery of \$199,133. The total true-up
10 as shown on Schedule E-4 is an underrecovery of \$153,077 for a true-up factor of
11 0.180 cents per therm that would be applied during the projected period. This true-
12 up factor increases the gas cost factor during the April, 1996 through March, 1997
13 period, to 39.661 cents per therm (before the regulatory assessment fee). With the
14 regulatory assessment fee added, the PGA factor is 39.810 cents per therm based
15 on the average of the winter and summer seasons. City Gas however has chosen
16 to establish a maximum levelized purchased gas factor based on the Company's
17 expected winter cost of gas as follows:

18 Winter Average		
19	Total Cost (Line 11)	\$19,118,553
20	Total Therm Sales (Line 27)	45,688,325
21	(11/27)	\$0.41846
22	True-up	0.00180
23	Before Regulatory Assess.	0.42026
24	Revenue Tax Factor	1.00376
25	Purchased Gas Factor	\$0.42184

1 As shown above, the maximum levelized purchased gas factor based on the
2 Company's expected winter cost of gas is 42.026 cents per therm before the
3 regulatory assessment fee, and 42.184 cents per therm after the regulatory
4 assessment fee. This is the maximum gas cost factor that City Gas may charge its
5 customers for the period April, 1996 through March, 1997.

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7 A. Yes, it does.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

Direct Testimony of
George Bachman
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. George Bachman, 401 South Dixie Highway, West Palm Beach, FL
3 33401.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company as the
6 Director of Accounting.
- 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
9 the Purchased Gas Adjustment for the period April 1, 1994
10 through March 31, 1995. As compared to the true-up amount
11 previously reported for that period which was based on eight
12 months actual and four months estimated.
- 13 Q. Please state the actual amount of over/under recovery of the
14 Purchased Gas Adjustment for April 1, 1994 through
15 March 31, 1995.
- 16 A. The Company over-recovered \$1,030,936 during April 1994 through
17 March 1995. This amount is substantiated on Schedules A-2 and
18 A-7.
- 19 Q. How does this amount compare with the estimated true-up amount
20 which was allowed by the Commission during the February 1995

1 hearing?

2 A. We had estimated an over-recovery of \$1,976,191 as of March
3 1995.

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

5 A. We prepared and pre-filed Schedules A-1, A-2, A-3, A-4, A-5,
6 A-6, and A-7.

7 Q. Does this conclude your testimony?

8 A. Yes.

9 Disk 19

10 GBTST-10.PGA

11

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 960003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
George Bachman
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. George Bachman, 401 South Dixie Highway, West Palm Beach, Fl 33401.
- 3 Q. By whom are you employed?
- 4 A. I am employed by Florida Public Utilities Company.
- 5 Q. Have you previously testified in this Docket?
- 6 A. Yes.
- 7 Q. What is the purpose of your testimony at this time?
- 8 A. I will summarize our projected gas recoveries computations which are
9 contained in composite exhibit GMB-3 which supports the April 1996 - March
10 1997 projected purchased gas adjustments for our consolidated gas division.
11 In addition, I will advise the Commission of the projected differences between
12 the revenues collected and the purchased gas costs allowed in developing the
13 levelized purchased gas adjustment for the periods April 1994 - March 1995
14 and April 1995 - March 1996. From these two periods I will establish a "true-
15 up" amount to be collected or refunded during April 1996 - March 1997.

1 Q. Were the schedules filed by your Company completed under your direction?

2 A. Yes.

3 Q. Which of the staff's set of schedules has your Company completed and filed?

4 A. We have prepared and pre-filed True-Up Schedules A-1, A-2, A-3, A-4, A-5,
5 A-6, A-7 and A-8 in addition to composite exhibit GMB-3 which contains

6 Schedules E1, E1/R, E2, E3, E4 and E5 for our consolidated gas division.

7 These schedules support the calculation of the purchased gas adjustment

8 factors for April 1996 - March 1997.

9 Q. Does this conclude your testimony?

10 A. Yes

11 **PURCHASED GAS ADJUSTMENT ISSUES**

12 **ISSUE 1:** What is the appropriate final purchased gas adjustment true-up
13 amount for the period April, 1994 through March, 1995?

14 **COMPANY POSITION:** The final purchased gas adjustment true-up
15 amount for the period April 1994 - March 1995 is an under-recovery of
16 \$945,255.

17 **ISSUE 2:** What is the estimated purchased gas adjustment true-up amount for
18 the period April, 1995 through March, 1996?

19 **COMPANY POSITION:** We have estimated that we will have over-
20 recovered \$1,371,194 for the period April 1995 - March 1996.

21 **ISSUE 3:** What is the total purchased gas adjustment true-up amount to be

1 collected during the period April, 1996 through March, 1997?

2 **COMPANY POSITION:** The total net over-recovery to be refunded during
3 the period April 1996 - March 1997 is \$425,939.

4 **ISSUE 4:** What is the appropriate levelized purchased gas adjustment
5 recovery(cap) factor for the period April, 1996 through March, 1997?

6 **COMPANY POSITION:** The Purchased Gas Cost Recovery Factor will be
7 a maximum of 38.519¢ per therm.

8 **ISSUE 5:** What should be the effective date of the new purchased gas
9 adjustment charge for billing purposes?

10 **COMPANY POSITION** The factor should be effective for all meter
11 readings on or after April 1, 1996, beginning with the first or applicable
12 billing cycle for the period April 1996 - March 1997.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 960003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

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 (FPU) as the Manager of Engineering and Gas
7 Supply.
- 8 Q. How long have you been employed by FPU?
- 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 950003-GU, 940003-GU,
14 930003-GU, 920003-GU and 910003-GU, as well as
15 Docket Numbers 940620-GU and 900151-GU, the most
16 recent filings for rate relief for the Company's
17 gas operations.
- 18 Q. What are the subject matters of your testimony in
19 this proceeding?
- 20 A. My testimony will relate to two specific matters.
21 First, I am responsible for forecasting the

- 1 demand, transportation and commodity costs of gas
2 to be purchased by the Company. Secondly, I am
3 also responsible for developing the projected
4 weighted average cost of gas for the Company's
5 traditional non-transportation firm and
6 interruptible classes of customers.
- 7 Q. What is the projection period for this filing?
- 8 A. The projection period starts on April 1, 1996 and
9 ends on March 31, 1997.
- 10 Q. Who prepared the forecasts of sales to FPU's
11 customers?
- 12 A. The Company's Marketing Department prepared such
13 forecasts. This responsibility was transferred
14 from my department to Marketing during 1995. To
15 the best of my knowledge, the Marketing Department
16 followed the methodology I described in my
17 prefiled testimony in Docket 950003-GU.
- 18 Q. Please describe how the forecasts of gas costs
19 were developed for the projection period.
- 20 A. The purchases for the gas cost projection model
21 were based on using Marketing's projection of
22 sales. For the projection period, Florida Gas
23 Transmission Company's (FGT) FTS-1, FTS-2, NNTS-1,
24 PTS-1 and ITS-1 rates were to remain unchanged
25 from the current levels as listed in FGT's tariff
26 Sheets Nos. 8A and 8A.01 effective January 1,

1 1996. The expected cost of natural gas purchased
2 by FPU and delivered to FGT, for transportation to
3 the Company and for FGT's 3.48% compressor fuel
4 use, during the projection period was developed
5 using the New York Mercantile Exchange natural gas
6 futures closing prices for like months since June
7 1992, inflated by 15% and adjusted for current
8 contractual pricing mechanisms.

9 Q. Please describe how the forecasts of the weighted
10 average costs of gas were developed for the
11 projection period.

12 A. FPU's sales to traditional non-transportation firm
13 and interruptible customers were allocated all of
14 the monthly pipeline demand costs and were
15 allocated all of the projected pipeline and
16 supplier commodity costs. The sum of these costs
17 were divided by the projected sales level to said
18 customers resulting in the projected weighted
19 average cost of gas for traditional non-
20 transportation firm customers and interruptible
21 customers and ultimately the Purchased Gas Cost
22 Recovery Factor (PGCRF) shown on Schedule E-1.
23 Capacity shortfalls, if any, would be satisfied
24 with the most economic dispatch combination of
25 acquired FTS-1 and/or FTS-2 demand levels
26 relinquished by another FGT shipper, Rate ITS-1

1 services and/or PTS-1 services whenever required -
2 and available. Obviously, if other services
3 become available and it is more economic to
4 dispatch supplies under those services, the
5 Company will utilize those services as part of its
6 portfolio.

7 Q. Does this conclude your prepared direct testimony?

8 A. Yes.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

INDIANTOWN GAS COMPANY
DOCKET NO. 960003-GU

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REVISED DIRECT TESTIMONY

3 OF

4 BRIAN J. POWERS

5

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

8

9 A. My name is Brian J. Powers and my business address is 16600 S.W.
10 Warfield Blvd., Indiantown, Florida 34956. I am General Manager
11 of Indiantown Gas Company.

12

13 Q. What are your responsibilities in that position?

14 A. I am responsible for the general operation of the company
15 including: rates, regulatory matters, budget preparation, gas
16 management, E.D.P., billing and service department.

17 Q. What is the purpose of your testimony.

18 A. To briefly summarize the projected levelized maximum purchased gas
19 cost recovery factor (LPGCR) calculations for the period April
20 1996 through March 1997.

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

22 A. Yes. Schedules E-1, E-2, E-3, E-4 and E-5 were filed on
23 January 16, 1995. Revised Schedules E-1, E-2, and E-4 were filed
24 on February 4, 1996.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q. Please explain the calculation for the total true-up amount to be collected or refunded during the April 1996 through March 1997 period.

A. We have projected that at the end of March 1996, based on eight months actual, we will have under-recovered \$49,014 for the April 1995 through March 1996 period. Also at the end of March 1996, we will have over-recovered \$24,576 for the April 1994 through March 1995 period. The total net over-recovery to be refunded during the April 1996 through March 1997 period is \$76,783. Based on estimated sales for the period April 1996 through March 1997, it will be necessary to deduct 1.401 cents per therm to refund this over-recovery. See Schedule E-4 for details of this computation.

Q. What (LPCGR) Factor does Indiantown Gas Company seek approval through its petition for the period April 1, 1996 through March 31, 1997?

A. \$0.34824 per therm.

Q. Does this conclude your testimony?

A. Yes

- 1 Q. Please state your name and business address.
- 2 A. My name is W. Edward Elliott. My business address
3 is Suite 1600, 111 East Madison Street, Tampa,
4 Florida 33602.
- 5 Q. By whom are you employed and in what capacity?
- 6 A. I am Manager of Gas Accounting for Peoples Gas
7 System, Inc. ("Peoples").
- 8 Q. Please summarize your educational background and
9 professional qualifications.
- 10 A. I graduated from the University of South Florida in
11 1972 with the degree of Bachelor of Arts in
12 Accounting. I have over 7 years of experience in
13 the utility field.
- 14 Q. What are your primary responsibilities in your
15 present position with Peoples?
- 16 A. As Manager of Gas Accounting, I am responsible for
17 recording the Company's cost of gas.
- 18 Q. Have you previously testified in regulatory
19 proceedings?
- 20 A. No.
- 21 Q. Have you prepared or caused to be prepared certain
22 schedules for use in this proceeding?
- 23 A. Yes. As Composite Exhibit EE-1, I prepared the
24 following schedules with respect to the final true-
25 up for the period April 1994 through March

1 1995:

2 A-1 -- Comparison of actual versus original
3 estimate of the purchased gas adjustment cost
4 recovery factor;

5 A-1 Supporting Detail -- Purchased gas
6 adjustment cost recovery clause calculation;

7 A-2 -- Calculation of true-up and interest
8 provision;

9 A-3 -- Transportation purchases - system
10 supply and end use;

11 A-4 -- Transportation system supply;

12 A-5 -- Therm sales and customer data;

13 A-6 -- Conversion factor calculation; and

14 A-7 -- Final fuel over/(under) recovery.

15 The referenced schedules comprising
16 Composite Exhibit EE-1 include data for Peoples'
17 entire system.

18 Q. Were these schedules prepared under your direction
19 and supervision?

20 A. Yes.

21 Q. What was Peoples' cost of gas to be recovered
22 through the PGA clause for the period April 1994
23 through March 1995?

24 A. As shown on Schedule A-7, p. 50x of 85 in EE-1, the
25 cost of gas purchased, adjusted for company use,

- 1 was \$94,694,019.
- 2 Q. What was the amount of gas revenue collected for
3 the period April 1994 through March 1995?
- 4 A. The amount of gas revenue collected to cover the
5 cost of gas was \$96,358,639.
- 6 Q. What was the final true-up amount for the period
7 April 1994 through March 1995?
- 8 A. The final true-up amount, including interest
9 and including adjustments of \$2,540,996 and \$25,743
10 for May 1994 and June 1994, respectively, for the
11 period is an overrecovery of \$4,389,527.
- 12 Q. Is this amount net of the estimated true-up for the
13 period April 1994 through March 1995, which is
14 included in the April 1995 through March 1996 PGA
15 factor calculation?
- 16 A. No. The final true-up net of the estimated true-up
17 for the period April 1994 through March 1995 is an
18 overrecovery of \$4,372,789.
- 19 Q. Is this the final overrecovery amount to be
20 included in the April 1996 through March 1997
21 projection?
- 22 A. Yes.
- 23 Q. Does this conclude your testimony?
- 24 A. Yes.

- 1 Q. Please state your name and business address.
- 2 A. My name is W. Edward Elliott. My business address
3 is Suite 1600, 111 East Madison Street, Tampa,
4 Florida 33602.
- 5 Q. By whom are you employed and in what capacity?
- 6 A. I am Manager of Gas Accounting for Peoples Gas
7 System, Inc. ("Peoples").
- 8 Q. Please summarize your educational background and
9 professional qualifications.
- 10 A. I graduated from the University of South Florida in
11 1972 with the degree of Bachelor of Arts in
12 Accounting. I have over 7 years of experience in
13 the utility field.
- 14 Q. What are your primary responsibilities in your
15 present position with Peoples?
- 16 A. As Manager of Gas Accounting, I am responsible for
17 recording the Company's cost of gas.
- 18 Q. Have you previously testified in regulatory
19 proceedings?
- 20 A. Yes. I have just submitted testimony in this docket
21 for the Final PGA True-Up for the period April 1,
22 1994 through March 31, 1995.
- 23 Q. What is the purpose of your testimony in this
24 docket?
- 25 A. The purpose of my testimony is to describe

1 generally the components of Peoples' cost of
2 purchased gas, and to explain how Peoples'
3 projected weighted average cost of gas ("WACOG")
4 for the April 1996 through March 1997 period was
5 determined.

6 Q. Please summarize your testimony.

7 A. I will address the following areas:

- 8 1. How Peoples will obtain its gas
9 supplies during the projected period.
- 10 2. Estimates and adjustments used to
11 determine the amount of gas to be
12 purchased from Peoples' various available
13 sources of supply during the projected
14 period.
- 15 3. Projections and assumptions used to
16 estimate the purchase price to be paid by
17 Peoples for such gas supplies.
- 18 4. The components and assumptions used to
19 develop Schedules E-3 (A) through (C) of
20 Composite Exhibit EE-2.
- 21 5. The components and assumptions used to
22 develop Schedule E-1 of Composite
23 Exhibit EE-2, including how Peoples'
24 projected WACOG was determined.

25 Q. Have you prepared or caused to be prepared certain

- 1 schedules for use in this proceeding?
- 2 A. Yes. Composite Exhibit EE-2 was prepared by me or
3 under my supervision.
- 4 Q. Please describe how Peoples will obtain its gas
5 supplies during the projected period of April 1996
6 through March 1997.
- 7 A. All natural gas delivered through Peoples'
8 distribution system is received through two
9 interstate pipelines. Gas is delivered by Florida
10 Gas Transmission Company ("FGT") and, in Peoples'
11 Jacksonville Division, also by South Georgia
12 Natural Gas Company ("South Georgia").
- 13 Q. In general, how does Peoples determine its sources
14 of supply?
- 15 A. Peoples evaluates sources of supply on the basis of
16 its "best value" gas acquisition strategy. For a
17 source of supply to be identified as a "best
18 value," it must offer the best combination of
19 price, reliability of supply and dependable
20 operations, consistent with Peoples' obligation as
21 a public utility to provide safe, adequate and
22 efficient service to the general public. Toward
23 this end, Peoples has developed, and is continuing
24 to enhance, a portfolio of supply sources which
25 reflect a balance between cost, reliability and

1 operational flexibility. Peoples obtains its gas
2 entirely from third party supplies which include
3 both firm and interruptible purchases, various
4 pricing mechanisms and purchase periods, and
5 include spot, short term and long term
6 arrangements.

7 Q. Could Peoples purchase all third party supplies in
8 advance for a long term at the lowest available
9 fixed price in order to avoid rising gas prices and
10 provide increased stability to its cost of gas?

11 A. No. Peoples' requirements for system supply gas at
12 its gate stations vary significantly, not only from
13 season to season or month to month, but from day to
14 day as well. Often, the demand for gas on the
15 Peoples system can vary dramatically within a month
16 from the lowest to the highest requirement of its
17 customers. In addition, since Peoples transports a
18 large portion of its throughput of gas for end-user
19 customers who purchase their own supplies directly
20 from producers and marketers, Peoples receives
21 large quantities of transportation gas purchased by
22 its transportation customers for delivery to
23 Peoples' gate stations on a relatively uniform
24 basis from day to day within a month, while the
25 actual takes of gas out of the Peoples system by

1 its transporting customers at their end-use meters
2 can and does vary significantly from day to day.
3 Since a significant portion of the total
4 throughput volumes is received by Peoples at a
5 uniform daily rate, Peoples is forced to increase
6 or decrease the purchases of its own system supply
7 volumes by significant increments in order to
8 maintain a balance between receipts and deliveries
9 of gas each day. As a consequence, Peoples must
10 buy a significant portion of its total system
11 requirements under swing contract arrangements, and
12 meet extreme variations in delivered volumes by
13 relying on swing gas, peaking gas, pipeline
14 balancing charge volumes, pipeline penalty charge
15 volumes and pipeline no notice service at the
16 prevailing rates for such services.

17 Q. How did Peoples estimate the amount of gas to be
18 purchased from various sources during the projected
19 period of April 1996 through March 1997?

20 A. We began with total actual throughput of therms
21 delivered to customers during a "base period" of
22 April 1994 through March 1995, including both sales
23 of Peoples' system supply and transportation
24 deliveries of third party gas purchased by end-
25 users of Peoples. Next, all volumes purchased or

1 transported for major electric power generation
2 were deducted, since such usage is expected to be
3 delivered entirely as transportation volumes during
4 the projection period.

5 Q. What adjustments were made to the remaining actual
6 system throughput volumes?

7 A. Peoples anticipates additional end-users will be
8 converted from sales to transportation service
9 during the projection period. The total actual
10 system throughput, less major electric power
11 generation volumes, was decreased to allow for such
12 conversions to transportation. The resulting
13 remaining amount, therefore, is adjusted projected
14 period throughput.

15 Q. What other adjustments were then made?

16 A. Based on the amount of firm transportation capacity
17 expected to be used by end-users, total estimated
18 end-user transportation volumes (other than for
19 major electric generation) for the projection
20 period were deducted from the adjusted projected
21 throughput. The remaining amount represents the
22 total estimated amount of system supply volumes to
23 be purchased by Peoples from third party sources
24 for transportation through FGT and SGNG. Separate
25 estimates, based on available transportation

1 capacity, were made for the following categories of
2 purchases by Peoples:

- 3 1. Third party transportation volumes
4 purchased for direct delivery at the
5 South Georgia gate station near
6 Jacksonville.
- 7 2. Third party transportation volumes
8 purchased at various FGT receipt points
9 and transported to Peoples' gate stations
10 via firm FTS-1 and FTS-2 transportation
11 service.
- 12 3. Third party transportation volumes
13 purchased at various FGT receipt points
14 and transported to Peoples' gate stations
15 via preferred interruptible PTS-1
16 transportation service.
- 17 4. No Notice Transportation Service (NNTS),
18 FGT Balancing Charge volumes and FGT
19 Operational Flow Order Penalty Charge
20 Volumes will be utilized on FGT Alert
21 Days and Operational Flow Order Days, if
22 necessary, when Peoples is required by
23 FGT to keep actual deliveries within
24 scheduled deliveries (within tariff
25 tolerance levels).

- 1 Q. How were the No Notice Transportation Service
2 (NNTS), FGT Balancing Charge volumes and FGT
3 Penalty Charge volumes -- item 5 above -- deter-
4 mined?
- 5 A. Peoples purchases its allocated quantity of NNTS
6 whether or not the service is actually used. FGT
7 Balancing Charge volumes may be purchased on as
8 many as 10 days per month during the projected
9 period.
- 10 Q. Does Peoples expect to utilize all of its available
11 firm transportation capacity during the projection
12 period?
- 13 A. That depends on the amount of gas purchased or
14 transported for electric power generation and the
15 level of market demand for firm transportation
16 capacity in the pipeline capacity release market.
17 The projection period volumes are based upon the
18 assumption that the demand for gas from such
19 markets will be relatively weak as a result of
20 lower oil prices, higher gas prices, and the
21 uncertainties inherent in forecasting demand for
22 gas for electric generation.
- 23 Q. How did you estimate the purchase price to be paid
24 by Peoples for each of its available sources of
25 supply?

- 1 A. The estimating procedures used for each category of
2 purchases by Peoples are as follows:
- 3 1. Third party direct transportation volumes
4 were estimated based on an evaluation of
5 published prices for the
6 last several years for spot gas delivered
7 to the FGT and Southern Natural Gas
8 Company ("SONAT") systems and futures
9 market prices for the projection period
10 of April 1996 through March 1997. These
11 prices were then adjusted to reflect the
12 potential for unexpected increases in
13 natural gas prices from the base period
14 to the projection period.
- 15 2. NNTS, FGT Balancing Charge and FGT
16 Penalty Charge volumes purchased from FGT
17 were estimated based on FGT's most
18 current rates on file with the FERC and
19 reasonable expectations for the possible
20 cost of gas utilized by FGT as provided
21 for in the recently effective Balancing
22 Tools Settlement.
- 23 Q. Referring to Schedules E-3 (A) through (G) of
24 Composite Exhibit EE-2, please explain the
25 components of these schedules and the assumptions

1 which were made in developing the Company's
2 projections.

3 A. Schedule E-3 (G) is a compilation of the monthly
4 data which appear on Schedules E-3 (A) through (F)
5 for the corresponding months of April 1996
6 through March 1997.

7 In Schedules E-3 (A) through (F), Column (A)
8 indicates the applicable month for all data on
9 the page.

10 In Column (B), "FGT" indicates that the
11 volumes are to be purchased from third party
12 suppliers for delivery via FGT transportation.
13 "MARKETER" indicates that the volumes are to be
14 purchased from a third party supplier for delivery
15 via SONAT and South Georgia Natural Gas ("South
16 Georgia"). "THIRD PARTY" indicates that the
17 volumes are to be purchased directly from various
18 third party suppliers for delivery into FGT or
19 SONAT.

20 In Column (C), "PGS" means the purchase will
21 be for Peoples' system supply and will become part
22 of Peoples' total WACOG. None of the costs of gas
23 or transportation for end-use purchases by end-use
24 customers of Peoples are included in Peoples'
25 WACOG.

1 In Column (D), purchases of pipeline
2 transportation services from FGT under Rate
3 Schedule FTS-1 and FTS-2 are split into two
4 components, commodity (or "usage") and demand (or
5 "reservation"). Both Peoples and end-users pay the
6 usage charge based on the actual amount of gas
7 transported. The FTS-1 and FTS-2 commodity costs
8 shown include all related transportation charges
9 including usage, fuel, ACA and GRI. The FTS-1 and
10 FTS-2 demand component is a fixed charge based on
11 the maximum daily quantity of FTS-1 and FTS-2 firm
12 transportation capacity reserved. End-users
13 reimburse Peoples or directly pay FGT for all FTS-1
14 reservation charges associated with the
15 transportation capacity which Peoples reserves and
16 uses on their behalf. Similarly, the
17 transportation rates of SONAT and South Georgia
18 also consist of two components, a usage charge and
19 a reservation charge.

20 Also in Column (D), "NO NOTICE TRANSPORTATION
21 SERVICE" (or "NNTS") means FGT's no notice service
22 provided to Peoples on a fixed charge basis for use
23 when Peoples' actual use exceeds scheduled
24 quantities. "SWING SERVICE" means the demand and
25 commodity component of the cost of third party

1 supplies purchased to meet Peoples "swing"
2 requirements for supply which fluctuate on a day-
3 to-day basis. "COMMODITY" means third party
4 purchases of gas transported on FGT, SONAT or South
5 Georgia, and does not include any purchases of
6 sales volumes from FGT.

7 Column (E) shows the monthly quantity in
8 therms of gas purchased by Peoples for each
9 category of system supply.

10 Column (F) shows the gas purchased by end-
11 users for transportation.

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

14 Columns (H), (I), (J) and (K) show the
15 corresponding third party supplier commodity costs,
16 pipeline transportation commodity costs, pipeline
17 transportation reservation costs, and other charges
18 (e.g., balancing charges), respectively. These
19 costs are determined using the actual amounts paid
20 by Peoples. In the case of end-user
21 transportation, these costs are reimbursed to
22 Peoples or paid directly to FGT. All ACA, GRI and
23 fuel charges are included in the commodity costs in
24 Column (I) and, therefore, are not shown in Column
25 (K).

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

3 Q. Referring to Schedule E-1 of Composite Exhibit EE-
4 2, please explain the components of these schedules
5 and the assumptions which were made in
6 developing the Company's projections.

7 A. Schedule E-1 consists of three pages. Page 1
8 relates to Cost of Gas Purchased, Page 2 relates to
9 Therms Purchased, and Page 3 relates to Cents per
10 Therm, or Cost of Gas Purchased divided by
11 Therms Purchased.

12 The categories or items on lines 1 through 14
13 on Page 1 correspond to the similar categories or
14 items on lines 15 through 27 on Page 2, and to the
15 similar categories or items on lines 28 through 45
16 on page 3.

17 The data shown on Page 1 through Page 3 of
18 Schedule E-1 are taken directly from Schedules E-3
19 (A) through (F) for the months of April 1996
20 through March 1997. The average cost per therm for
21 the total projected period for each item is listed
22 in lines 28 through 37 on Page 3 of Schedule E-1.

23 Q. What information is presented on Schedule E-1/R of
24 Composite Exhibit EE-2?

25 A. Schedule E-1/R of Composite Exhibit EE-2 shows

- 1 eight months actual and four months estimated data
2 for the current period from April 1995 through
3 March 1996.
- 4 Q. What information is presented on Schedule E-2 of
5 Composite Exhibit EE-2?
- 6 A. Schedule E-2 of Composite Exhibit EE-2 shows the
7 amount of the prior period over/underrecoveries of
8 gas costs which are included in the current PGA
9 calculation.
- 10 Q. What is the purpose of Schedule E-4 of Composite
11 Exhibit EE-2?
- 12 A. Schedule E-4 of Composite Exhibit EE-2 simply shows
13 the calculation of the estimated true-up amount for
14 the April 1995 through March 1996 period. It is
15 based on actual data for eight months and four
16 months of projected data.
- 17 Q. What information is contained on Schedule E-5 of
18 Composite Exhibit EE-2?
- 19 A. Schedule E-5 of Composite Exhibit EE-2 is
20 statistical data which includes the projected therm
21 sales and numbers of customers by customer class
22 for the period from April 1996 through March 1997.
- 23 Q. Does this conclude your testimony?
- 24 A. Yes, it does.

- 1 Q. Please state your name, business address, by whom you are
2 employed and in what capacity.
- 3 A. My name is Jerry H. Melendy, Jr., my business address is
4 3515 U.S. Highway 27, South, Sebring, Florida 33870-5452.
5 I am the Vice President of Sebring Gas System, Inc. (the Company),
6 a Florida Corporation.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for all areas of finance, rates, accounting
9 and taxes as well as general management responsibilities
10 of the company.
- 11 Q. Please state your educational background.
- 12 A. I have an Associate of Arts degree from Polk Community
13 College. I have a Bachelor of Arts degree from the University
14 of South Florida.
- 15 Q. What is the purpose of your testimony?
- 16 A. The purpose of my testimony is to present the calculation of Sebring Gas
17 System's levelized purchased gas cost for the upcoming twelve-month
18 period April 1996 through March 1997.
- 19 Q. Has the Company prepared the Schedules as prescribed by
20 this Commission for this purpose?
- 21 A. Yes, it has. The Schedules prescribed by the Commission are
22 being filed at this time. Copies are attached to my testimony.
- 23 Q. Would you please identify the Schedules which you are filing?
- 24 A. Yes. The Schedules are identified as Composite Exhibit JHM-2

1 and are as follows:

2 E-1 - PURCHASED GAS ADJUSTMENT COST RECOVERY
3 CLAUSE CALCULATION, Original Estimate for the Projected
4 Period April 1996 through March 1997.

5 E-1/R - PURCHASED GAS ADJUSTMENT COST RECOVERY
6 CLAUSE CALCULATION, Revised Estimate for the Period April 1995
7 through March 1996.

8 E-2 - CALCULATION OF TRUE-UP AMOUNT for the
9 Current Period April 1995 through march 1996.

10 E-3 - TRANSPORTATION PURCHASES, SYSTEM SUPPLY
11 AND USE for the Period April 1996 through March 1997. Because
12 Sebring Gas does not purchase transportation gas, this schedule, although
13 included in this filing, is not applicable.

14 E-4 - CALCULATION OF TRUE-UP AMOUNT,
15 PROJECTED PERIOD April 1996 through March 1997.

16 E-5 - THERM SALES AND CUSTOMER DATA for
17 the Projected Period April 1996 through March 1997.

18 Q. Were these schedules prepared under your direction and
19 supervision?

20 A. Yes, they were.

21 REVISED ESTIMATES FOR THE PERIOD
22 APRIL 1995 - MARCH 1996

23 Q. What is the revised estimate of total purchased gas cost for the
24 period April 1995 through March 1996?

25 A. The revised estimate of purchased gas cost for the current period

1 April 1995 through March 1996 is \$182,074.

2 Q. What is the revised estimate of gas revenue to be collected for the
3 current period April 1995 through March 1996?

4 A. The revised estimate of gas revenue to be collected for the current
5 period April 1995 through March 1996 is \$171,007.

6 Q. What is the revised true-up amount, including interest,
7 estimated for the current period April 1995 through March
8 1996?

9 A. The company's estimate for the revised true-up, including
10 interest, to be an overcollection of \$53.

11 PROJECTIONS FOR THE PERIOD

12 APRIL 1996 THROUGH MARCH 1997

13 Q. How was the projections for the period April 1996 through
14 March 1997 determined?

15 A. The estimated gas supply requirements for each month of the
16 twelve month period were determined initially. These requirement
17 estimates were based upon the estimated sales to ultimate customers
18 for the period.

19 Q. What steps were used to determine the estimated cost of gas for the
20 projected period April 1996 through March 1997?

21 A. As reported on Schedule E-1, lines 1 through 11, the total cost of
22 gas consists of the cost of demand and commodity costs of firm
23 transportation service(FTS) on FGT, the commodity cost of gas paid to
24 our supplier, Pennisula Energy Services Co. (PESCO) and the cost of gas

1 transportation as billed by the City of Sebring.

2 The demand portion of services (line 5 of Schedules E-1 E1/R) is based on

3 Sebring Gas System's contract with FGT and an estimate of FGT's demand

4 rates for these services. The demand rates used for FTS-1 service for

5 the months April 1995 through June 1995 are the current rates in

6 effect. The rates used for the months July 1995 through March 1996

7 are the rates proposed by FGT for that period of time.

8 The commodity portion of the Cost of Gas Purchased is shown

9 as Lines 1 and 4 of Schedule E-1. The Commodity Pipeline amount

10 (line 1) is based on FGT's "FTS" Commodity Rate multiplied by the

11 amount of therms transported for our system supply. The rate utilized

12 for the projected period April 1996 through March 1997 are the

13 current rates in effect.

14 The Commodity (Other), (line 4) is based on amount of therms

15 purchased by Sebring Gas, multiplied by the current rate per therm,

16 plus a management fee. The rate is based upon the price paid by

17 our supplier PESCO, plus the management fee of \$.005 per therm.

18 The management fee allow Sebring Gas to benefit from the work

19 research of the gas procurement department of PESCO for

20 obtaining the best gas price. Because of Sebring Gas' small

21 size and lack of experience in acquiring gas, the best use of the

22 company's funds and resources is to contract PESCO to

23 provide gas for the company.

24 Other charges for the Cost of Gas Purchased is represented on

25 Line 6 of Schedule E-1. This figure consists of a charge for

1 transportation by the City of Sebring, any Western Division
2 Revenue Sharing Credit from FGT and PGA Reporting Fees.
3 The City of Sebring transports the company's gas supply through
4 a 7 mile pipeline connected to FGT's gatestation in Avon Park
5 and ending at Sebring Gas' gatestation in Sebring. The pipeline
6 is presently owned by Tampa Electric Company (TECO), who
7 allows the City of Sebring to operate and maintain. The rate for
8 transportation is based on a contract with the city for \$.035 per
9 MCF transported. The PGA Preparation Fee is estimated to be
10 \$750.00 per month, as levied by our outside CPA firm, Ryals,
11 Brimmer, Burek and Keelan.

12 Q. How was the projected total firm sales determined?

13 A. The company has only firm sales at this time. Subsequently,
14 the total sales and firm sales are the same. The total sales were
15 determined by using historical averages for both classes, residential
16 and commercial, customers, with a growth factor added. The total
17 sales are shown on Line 27 of Schedule E-1. The total estimated
18 sales for the Projected period April 1996 through March 1997 is
19 648,000 therms.

20 Q. What is the company's average cost per therm for the Projected
21 period April 1996 through March 1997?

22 A. Show on Line 40 of Schedule E-1, the company's average cost
23 of gas for the Projected period April 1996 through March 1997
24 is estimated to be 29.128 cents per therm. to arrive at the Total
25 PGA Factor, the average cost of gas is adjusted for the estimated

1 total true-up through March 1996, as shown on Schedule E-4,
2 and for revenue-related taxes.

3 Q. What is the projected PGA Factor for the Projected period
4 April 1996 through March 1997?

5 A. The projected PGA Factor for the projected period is 35.007
6 cents per therm, as shown on Line 45 of Schedule E-1.

7 Q. The estimated total true-up for the period April 1995 through
8 March 1996, as shown on Schedule E-4 is included in the
9 projected PGA Factor for the period April 1996 through March
10 1997. How was the figure calculated?

11 A. The final true-up amount for the period April 1994 through
12 March 1995 is added to the estimated end of period net true-up
13 for April 1995 through March 1996. The April 1995 through
14 March 1996 estimated true-up is based on eight months' actual
15 plus four months' projected data.

16 Q. What is the impact of the total true-up for the period April 1995
17 through March 1996 on the projected PGA Factor for the
18 Projected period April 1996 through March 1997?

19 A. The projected true-up for the period, ending March 1996 is
20 underrecovery of \$3,818, which is shown on line 4, Column
21 4 of Schedule E-4. Dividing the underrecovery of \$3,818 by
22 the projected therm sales of 648,000 therms results in a
23 collection of .589 cents per therm to be included in the proposed
24 PGA Factor.

25 Q. What is the maximum levelized purchased gas factor (cap)

1 that you are proposing for the projected period April 1996
2 through March 1997?

3 A. The maximum levelized purchased gas factor (cap) that Sebring
4 Gas is proposing for the period is 35.007 cents per therm.
5 This factor represents the estimated cost of gas for the month
6 of March, 1996, the month with the higher estimated cost of
7 gas, plus the true collection of .589 per therm, and the
8 total of the two figures multiplied by the tax revenue factor 1.01911.
9 Because the company has experienced higher winter costs for gas
10 and through projections supplied by our supplier, PESCO, we
11 anticipate this trend to continue for the projected period. The higher
12 winter average for the cost of gas dictates that the proposed
13 maximum levelized purchased gas cost factor (cap) be as it is.
14 Using the proposed cap will allow Sebring Gas to possibility
15 avoid large overrecoveries during the winter months when purchased
16 gas prices are highest. This procedure, combined with the ability
17 to flex down the rates when gas prices become lower will allow Sebring
18 Gas to operate at it's highest financial efficiency and provide our
19 ratepayers with gas prices more realistically with actual costs.

20 Q. Does this conclude your testimony?

21 A. Yes, it does.

1 Q. Please state your name, occupation, and business address.

2 A. My name is Lou J. Defrain. I am Secretary-Treasurer of
3 South Florida Natural Gas Co. ("SFNG"). My business address
4 is 101 Northwest 202 Terrace, Miami, Florida 33169.

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to discuss the final true-up
7 for the period April 1994 through March 1995.

8 Exhibits

9 Q. Would you please identify the Composite Exhibit which you
10 are sponsoring with this testimony?

11 A. Yes. As Composite Exhibit LD-1, I am sponsoring the
12 following schedules with respect to the final true-up for
13 the period April 1994 through March 1995:

14 A-1 - Comparison of Actual Versus Original Estimate of the
15 Purchased Gas Adjustment Cost Recovery Factor - October 1994
16 through September 1995.

17 A-2 - Calculation of True-up and Interest Provision -
18 October 1994 through September 1995.

19 A-3 - Transportation Purchases - October 1994 through
20 September 1995.

21 A-4 - Transportation System Supply - October 1994 through
22 September 1995.

23 A-5 - Therm Sales and Customer Data - October 1994 through
24 September 1995.

25 A-6 - Conversion Factor Calculation - October 1994 through

1 September 1995.

2 A-7 - Final Fuel Over/Under Recovery - April 1994 through
3 March 1995.

4 Also attached are the individual PGA filings for the months
5 of October 1994 through September 1995.

6 Final True-Up April 1994 - March 1995

7 Q. What were total therm sales for the period April 1994
8 through March 1995?

9 A. Total therm sales subject to the PGA were 2,163,686 therms.

10 Q. What were total therm purchases for the period April 1994
11 through March 1995?

12 A. Total therm purchases were 2,010,800 therms.

13 Q. What was the cost of gas to be recovered through the PGA for
14 the period April 1994 through March 1995?

15 A. The cost of gas purchased for the period was \$365,763.

16 Q. What was the amount of gas revenue collected for the period
17 April 1994 through March 1995?

18 A. The amount of gas revenue collected to cover the cost of gas
19 was \$612,575.

20 Q. What is the total true-up provision for the period April
21 1994 through March 1995?

22 A. The total true-up provision, including interest, is an
23 overrecovery of \$254,239 for the period.

24 Q. What is the amount of estimated true-up included for April
25 1994 through March 1995 in the April 1995 through March 1996

1

2 PGA factor calculation?

3 A. The amount of estimated true-up for the period April 1994
4 through March 1995 included in the April 1995 through March
5 1996 PGA factor calculation was an overcollection of
6 \$183,178.

7 Q. What is the final over/underrecovery for the April 1994
8 through March 1995 period to be included in the April 1996
9 through March 1997 projection?

10 A. The final overrecovery for the current period to be included
11 in the April 1996 through March 1997 projection is \$71,061.

12 Q. Does this conclude your testimony?

13 A. Yes, it does.

- 1 Q. Please state your name, occupation, and business
2 address.
- 3 A. My name is Lou J. Defrain. I am Secretary-Treasurer
4 of South Florida Natural Gas Co. ("SFNG"). My
5 business address is 101 Northwest 202 Terrace, Miami,
6 Florida.
- 7 Q. What is the purpose of your testimony?
- 8 A. The purpose of my testimony is to discuss the
9 projected true-up for the period April 1, 1996 through
10 March 31, 1997.
- 11 Q. Would you please identify the Composite Exhibit which
12 you are sponsoring with this testimony?
- 13 A. Yes. As Composite Exhibit LD-1, I am sponsoring
14 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5.
- 15 Q. Were these schedules prepared under your direction and
16 supervision?
- 17 A. Yes, they were.
- 18 Revised Estimate April 1995 - March 1996
- 19 Q. What is the revised estimate of total purchased gas
20 costs for the period April 1995 - March 1996?
- 21 A. The revised projection of purchased gas cost for the
22 current period is \$605,432.
- 23 Q. What is the revised projection of gas revenue to be
24 collected for the current period?
- 25 A. As shown on Schedule E-2, the company estimates the

1 total gas revenue to be collected during the period to
2 be \$489,465. This amount includes a refund of prior
3 period overcollections in the amount of \$144,832.
4 Therefore, the revenue collected to cover the current
5 period's gas cost is estimated to be \$634,297.

6 Q. What is the revised true-up amount, including
7 interest, estimated for the April 1995 - March 1996
8 period?

9 A. The company estimates the revised true-up, including
10 interest, to be an overcollection of \$41,431.

11 April 1996 - March 1997 Projection

12 Q. How did you develop your projection of SFNG's cost of
13 gas for the April 1996 - March 1997 period?

14 A. Our first step was to estimate our supply requirements
15 for each of the twelve months in the period. Our
16 projected supply requirements are based on our
17 projected sales and company use for each month. Once
18 we develop our supply requirements, we can then
19 determine how these requirements will be met. In
20 other words, we match our estimated requirements with
21 the gas supply that is available to us. All of our
22 gas requirements will be met utilizing firm
23 transportation service on FGT for the projected period
24 of April 1996 - March 1997. Due to the complexity of
25 transporting on FGT's system after implementation of

1 FERC Order 636, and the new gas control requirements
2 on all transporters, we have contracted with an energy
3 services firm who furnishes our gas supply, arranges
4 for transportation of the supply to our system,
5 monitors volumes and adjusts receipts/deliveries as
6 necessary, and makes all nominations and balancing
7 arrangements.

8 Q. Please describe the general steps or mechanics of
9 projecting the total cost of gas for the April 1996 -
10 March 1997 period.

11 A. As shown on Schedule E-1 lines 1 - 11, the total cost
12 of gas consists of the cost of no-notice
13 transportation service (NNTS) on FGT, the demand and
14 commodity costs of firm transportation service (FTS)
15 on FGT, and the commodity cost of gas estimated to be
16 paid to our supplier during the period.

17 The cost of NNTS service (line 2) is based on
18 SFNG's contract level with FGT and an estimation of
19 FGT's reservation charge for this service. The
20 reservation charge utilized for the period is the
21 current rate in effect.

22 The demand and commodity portions of
23 transportation system supply are shown on Schedule E-
24 1, lines 1, 4, and 5. The commodity pipeline amount
25 (line 1) is based on FGT's current FTS commodity rate

1 multiplied by the number of therms projected to be
2 transported for system supply.

3 The commodity other (line 4) is based on data
4 shown on Schedule E-3 which details our projected
5 direct supplier purchases for the twelve-month period.
6 We projected the "FTS" commodity cost on line 4 using
7 a combination of analyses. We analyzed the 1994 and
8 1995 monthly prices of natural gas delivered to FGT by
9 zone as reported in Inside FERC Gas Market Report. We
10 also reviewed the recent NYMEX postings for the
11 period January 1996 through March 1997. We developed
12 our monthly index price of gas using the above data
13 and allowing for seasonal trends and current market
14 pricing. To this index, we added compressor fuel and
15 our supplier's estimated margin for first of the month
16 pricing and swing service.

17 The demand component of SFNG's cost of gas (line
18 5) for the months of April 1996 - October 1996 is
19 based on FGT's current FTS demand rate multiplied by
20 the projected transportation volumes. Through
21 October, 1996, SFNG will incur no excess demand
22 charges in its cost of gas, since SFNG has temporarily
23 relinquished all of its capacity on FGT to the energy
24 services firm which manages its supply. However,
25 SFNG's current contract with the energy services firm

1 expires in October 1996. Due to the nature of the
2 capacity release market and the relatively low value
3 of remarketed capacity on FGT's system, SFNG does not
4 anticipate recovering 100% of its excess demand
5 charges from its supplier through capacity release
6 after October 1996. As a result, for the months of
7 November 1996 through March 1997, we have estimated
8 the demand component of the cost of gas to be equal to
9 SFNG's entitlement on FGT times the current demand
10 rate. We have not included any recovery of excess
11 demand costs, however any capacity release revenues
12 actually received by SFNG will be credited to
13 purchased gas costs.

14 Q. Based on the projected total cost of gas and projected
15 sales, what is the weighted average cost per therm for
16 the twelve-month period ended March 1997?

17 A. This figure is shown on Schedule E-1, line 40, and is
18 31.990 cents per therm. To arrive at the total PGA
19 factor, the 31.990 cents per therm is adjusted for the
20 estimated total true-up through March 1996 (shown on
21 Schedule E-4) and for revenue-related taxes.

22 Q. What is the projected PGA factor for the period April
23 1996 - March 1997?

24 A. The projected PGA factor for the period is 27.000
25 cents per therm.

- 1 Q. The estimated total true-up for the twelve months
2 ended March 1996 as calculated on Schedule E-4 is
3 included in the projected PGA factor for the period
4 April 1996 - March 1997. Please explain how it was
5 calculated.
- 6 A. The final true-up amount for the period April 1994 -
7 March 1995 is added to the estimated end of period net
8 true-up for April 1995 - March 1996. The April 1995
9 -March 1996 estimated true-up is based on eight
10 months' actual data plus four months' projected data.
- 11 Q. What is the impact of the total true-up for the twelve
12 months ended March 31, 1996 on the projected PGA
13 factor for the April 1996 - March 1997 period?
- 14 A. The projected true-up as of March 31, 1995 is an
15 overrecovery of \$112,492 (Schedule E-4). Dividing the
16 overrecovery by the April 1996 - March 1997 projected
17 therm sales of 2,209,818 results in a refund of 5.091
18 cents per therm to be included in the proposed PGA
19 factor.
- 20 Q. What is the maximum levelized purchased gas factor
21 (cap) that you are proposing for the April 1996 -
22 March 1997 period?
- 23 A. The maximum levelized purchased gas factor (cap) that
24 we are proposing for the period is 27.000 cents per
25 therm.

1 Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

1
2
3 In Re: Purchased Gas Recovery) Docket No. 950003-GU
4 _____) Submitted for filing
November 3, 1995

5
6 DIRECT TESTIMONY OF STUART L. SHOAF ON
7 BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.
8 =====

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

11 A. Stuart L. Shoaf, 301 Long Avenue, Port St. Joe,
12 Florida 32456, St. Joe Natural Gas Company in the
13 capacity of President and Regulatory Affairs.

14 Q. What is the purpose of your testimony?

15 A. My purpose is to discuss the final true-up for the
16 period April 1994 through March 1995.

17 Exhibits

18 Q. Would you please identify the Composite Exhibit which
19 you are sponsoring with this Testimony?

20 A. Yes. As Composite Exhibit SLS-1, I am sponsoring the
21 following schedules with respect to the final true-up
22 for period April 1994 through March 1995:

23 A-1/MF-AO or MF-AR - Comparison of Actual vs. Original
24 or Revised Estimate of the Purchased Gas Adjustment
25 Cost Recovery Factor.

1 By and through approved order numbers, St. Joe
2 Natural Gas Co. has approval from the Commission Staff
3 for confidential filings of certain line items (Columns
4 A-H, Lines 1-9, 15-23, 31) on Sch. A-1 for the period.
5 A-1 detail. (Col. A-C, Lines accordingly.)
6 A-2 - Calculation of True-Up and Interest Provision
7 A-3 - Transportation Purchases System Supply and End
8 Use. (Columns A-L, lines accordingly)
9 A-4 - Transportation System Supply. (Col. A-H, lines
10 accordingly).
11 A-5 - Therm Sales and Customer Data.
12 A-6 - Conversion Factor Calculation
13 A-7 - Final Fuel Over/Under Recovery.
14 Q. Were these schedules prepared under your direction and
15 supervision?
16 A. Yes, they were.
17
18
19
20
21
22
23
24
25

Final True-Up April 1994 - March 1995

- 1
- 2 Q. What were the total therm sales for the period April
- 3 1994 through March 1995?
- 4 A. Total therm sales were 23,925,500 therms.
- 5 Q. What were total therm purchases for the period April
- 6 1994 through March 1995?
- 7 A. Total therm purchases were 23,826,620.
- 8 Q. What was the cost of gas to be recovered through
- 9 the PGA for the period April 1994 through March 1995?
- 10 A. The cost of gas purchased for April 1994 through
- 11 March 1995 was \$5,645,989.
- 12 Q. What was the amount of gas revenue collected for the
- 13 period April 1994 through March 1995?
- 14 A. The amount of gas revenue collected to cover the cost
- 15 of gas was \$5,630,854.
- 16 Q. What is the total true-up provision for the period
- 17 April 1994 through March 1995?
- 18 A. The total true-up provision, including interest, is an
- 19 underrecovery of \$16,391.97 for the period.
- 20 Q. What is the amount of estimated true-up included for
- 21 April 1994 through March 1995 in the April 1995 through
- 22 March 1996 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period April
- 24 through March 1995 included in the April 1995 through
- 25 March 1996 PGA factor calculation was an underrecovery

1 of \$8,348.00.

2 Q. What is the final over/underrecovery for the April 1994
3 through March 1995 period to be included in the
4 April 1996 through March 1997 projection?

5 A. The final underrecovery for the current period to be
6 included in the April 1996 through March 1997 pro-
7 jection is \$8,043.97.

8 Q. Does this conclude your testimony?

9 A. Yes

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION
3 DOCKET NO. 950003-GU
4

5 DIRECT TESTIMONY OF
6 TOM GOODWIN

7 ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY
8

9 Q. Please state your name and address.

10 A. My name is Tom Goodwin. My business address is 301 Maple
11 Avenue, Panama City, Florida. I am employed as
12 Coordinator of Gas Management by West Florida Natural Gas
13 Company. My responsibilities include the development of
14 therm sales projections, calculation of PGA true-up
15 factors, and calculation of the monthly weighted average
16 cost of gas (WACOG).

17 Q. What is the purpose of your testimony?

18 A. The purpose of my testimony is to discuss the final true-
19 up numbers for the periods April 1994 through March 1995.

20 Q. Would you please identify the composite exhibit which you
21 are sponsoring with this testimony?

22 A. Yes. I am sponsoring the following schedules with
23 respect to the final true-up numbers for the periods
24 April 1994 through March 1995. A-1, A-1R, A-2, A-3, A-
25 4, A-5, A-6 and revised A-7. A-1 support schedules are
26 included where applicable.

- 1 Q. Were these schedules prepared under your direction and
2 supervision?
- 3 A. Yes, they were. The schedules are attached to my
4 testimony and identified as composite exhibit TG-1.
- 5 Q. What were the total therm sales for the period April 1994
6 through March 1995.
- 7 A. Total therm sales excluding end-use transportation
8 volumes for the period April 1994 through March 1995 were
9 24,082,990 including 21,917,022 firm sales and 2,165,968
10 interruptible sales.
- 11 Q. What were total therm purchases during the periods April
12 1994 through March 1995.
- 13 A. Therm purchases excluding end-use transportation volumes
14 for April 1994 through March 1995 were 26,623,738.
- 15 Q. What was the cost of gas to be recovered through the
16 purchased gas cost recovery clause for the periods April
17 1994 through March 1995.
- 18 A. The cost of gas purchased for the period April 1994
19 through March 1995 was \$6,334,218.
- 20 Q. What was the amount of gas revenue collected for the
21 periods April 1994 through March 1995.
- 22 A. The amount of gas revenue collected for the period April
23 1994 through March 1995 was \$5,733,237.
- 24 Q. What is the total true-up provision for the periods April
25 1994 through March 1995.
- 26 A. The total true-up provision, as shown on schedule A-7,

1 for the period April 1994 through March 1995 is an
2 overrecovery of \$174,185.

3 Q. Does this conclude your testimony?

4 A. Yes.

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION
3 DOCKET NO. 960003-GU
4 REVISED DIRECT TESTIMONY OF
5 TOM GOODWIN
6 ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY

7 Q. Please state your name and address.

8 A. My name is Tom Goodwin. My business address is 301 Maple
9 Avenue, Panama City, Florida. I am employed as
10 Coordinator of Gas Management by West Florida Natural Gas
11 Company. My responsibilities include the development of
12 therm sales projections, calculation of PGA true-up
13 factors, and calculation of the monthly weighted average
14 cost of gas (WACOG).

15 Q. What is the purpose of your testimony?

16 A. The purpose of my testimony is to describe how the sales
17 estimate of 30,336,093 therms for the period April 1996
18 through March 1997 was determined and to explain the
19 factors considered in the development of our maximum PGA
20 factor for this period.

21 Q. Please explain how the sales estimate was developed.

22 A. The estimate of 30,336,093 therms consists of projected
23 firm gas sales totaling 26,352,872 therms and
24 interruptible over-run sales from system supply to our
25 transportation customers totaling 3,983,221 therms. In

1 arriving at the firm sales estimate, a projected growth
2 factor of 3% for residential consumption and 2% for
3 commercial consumption was applied to the estimated sales
4 for the projected period as determined by our forecasting
5 model. Firm industrial sales reflect the projected
6 addition of a small co-generation load. Sales of overrun
7 gas to our transportation customers, in excess of their
8 firm transportation entitlements, is expected to decrease
9 slightly due to the availability of additional
10 transportation capacity for these customers through the
11 capacity release system now in effect.

12 Q. Please explain the development of the maximum PGA factor.

13 A. Development of a maximum PGA factor for this annual
14 projection required consideration of all known and
15 anticipated factors affecting the actual total cost of
16 gas supply. Factors such as balancing charges or credits
17 and possible penalty charges or credits from FGT were not
18 considered in this estimate. Total cost of gas has been
19 determined by multiplying estimated purchases from all
20 sources by the appropriate estimated commodity charge
21 rate. Reservation charges have been calculated for
22 pipeline transportation based on revised contract levels
23 and entitlements. Usage and reservation rates are as
24 reflected in Florida Gas Transmission's latest filed
25 tariff sheets. I have also included expected costs or

1 credits associated with no-notice transportation
2 entitlements. My estimates are based on known and/or
3 anticipated rates and past seasonal trends, with the
4 expectation that mid-course adjustments may be required.
5 The calculated total estimated cost of gas supply
6 considers the effect of transportation fuel usage at
7 3.48% to arrive at the average cost per therm, which was
8 then adjusted for true-up and taxes to develop the
9 purchased gas cost recovery factor.

10 Q. What are the true-up totals for the period April 1, 1994
11 through March 31, 1995 and April 1, 1995 through March
12 31, 1996?

13 A. As shown on Schedule E-4 our true-up was an underrecovery
14 of \$1,345,359 for the period April 1, 1994 through March
15 31, 1995. The estimated true-up for the period April 1,
16 1995 through March 31, 1996 is an overrecovery of
17 \$304,917 based upon eight months actual and four months
18 estimated data.

19 Q. What is the total true-up for the projected period
20 April 1, 1996 through March 31, 1997?

21 A. The final true-up for the projected period April 1, 1996
22 through March 31, 1997 is an underrecovery of \$1,040,442
23 as detailed in Schedule E-4. A true-up collection factor
24 of 3.430 cents per therm has been calculated for the
25 period, as is also shown on Schedule E-4.

- 1 Q. What is the total purchased gas cost recovery factor to
2 be applied to customer bills during the period April 1996
3 through March 1997?
- 4 A. We project the maximum purchased gas cost recovery
5 factor, including WACOG, true-up factor, and related
6 taxes to be 37.543 cents per therm for the April 1996
7 through March 1997 period.
- 8 Q. Are you sponsoring any schedules in this Docket?
- 9 A. Yes, I am sponsoring schedules E-1/R, E-2, E-3, and E-5
10 for the current period, and Revised Schedules E-1, E-3,
11 E-4 and E-5 for the projected period.
- 12 Q. Does this conclude your testimony?
- 13 A. Yes.

1 COMMISSIONER DEASON: And we have five
2 issues which have been stipulated in the 03 docket?

3 MS. ERSTLING: Yes, sir.

4 COMMISSIONER DEASON: It would now be
5 appropriate to take those stipulated issues up before
6 the Commission.

7 MS. ERSTLING: Do you wish me just to read
8 the stipulated issues and the amount, sir; or do you
9 want them as they are in the Prehearing Order?

10 COMMISSIONER DEASON: Well, are there any
11 changes?

12 MS. ERSTLING: There are no changes
13 whatsoever.

14 COMMISSIONER DEASON: Commissioners,
15 whatever your pleasure is at this point.

16 COMMISSIONER KIESLING: I move that we adopt
17 those stipulated issues and resolutions thereto.

18 COMMISSIONER JOHNSON: Seconded.

19 COMMISSIONER DEASON: It's been moved and
20 seconded. Show that those stipulated issues and
21 positions are accepted unanimously. And I believe
22 that would dispose of the 03 docket in it's entirety?

23 MS. ERSTLING: Yes, it would end.

24 (Thereupon, Docket No. 960003 concluded at
25 (9:40 a.m.)

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

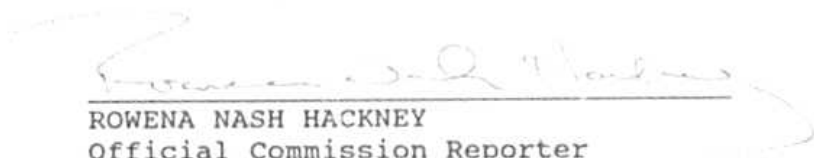
3 I, ROWENA NASH HACKNEY, Official Commission
4 Reporter,

5 DO HEREBY CERTIFY that the Prehearing
6 Conference in Docket No. 960003-GU was heard by the
7 Florida Public Service Commission at the time and
8 place herein stated; it is further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 82 pages, constitutes a true
13 transcription of my notes of said proceedings.

14 DATED this 23rd day of February, 1996.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25



ROWENA NASH HACKNEY
Official Commission Reporter
(904) 413-6736