

ORIGINAL
FILE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

RAYMOND A. DeMOINE

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6 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

7 A. My name is Raymond A. DeMoine My business address is One Elizabethtown
8 Plaza, Union, New Jersey 07083.

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

10 A. I am currently employed as Director of Rates and Regulatory Affairs for NUI
11 Corporation which includes the Florida operating division, City Gas Company of
12 Florida.

13 Q. PLEASE DESCRIBE YOUR PRIOR UTILITY RELATED EXPERIENCE.

14 A. Upon graduation from Rider College in 1983, I was employed by the State of New
15 Jersey as an Auditor/Investigator with the Division of Criminal Justice I audited
16 various types of business entities, primarily for the detection of fraud In
17 December 1986, I accepted a professional staff position with the certified public
accounting firm of Arthur Young (now Ernst and Young), a worldwide accounting
and consulting firm. My experience with this public accounting firm included
auditing and consulting engagements on a variety of entities and exposure to
varied accounting systems

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22 In July 1989, I was hired as Administrator of External Reporting by
23 Elizabethtown Gas Company. In that role, I was responsible for the coordination
24 of the Accounting Department's efforts in all regulatory proceedings

25 In March 1995, I was promoted to Manager of Regulatory Affairs in the
26 Company's Rate Department, in July 1995, I assumed additional responsibility as
27 Manager of Rates and Regulatory Affairs.

28 In November 1996, I was promoted to Director of Rates and Regulatory
29 Affairs.

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

31 A. I received a Bachelor of Science in Commerce degree, with a major in
32 Accounting, from Rider College in June 1983. In June 1990, I received a Master
33 of Business Administration degree from Rider College. I am a Certified Public
34 Accountant in the State of New Jersey, and a member of the American Institute of
35 Certified Public Accountants and the New Jersey State Society of Certified Public
36 Accountants.

37 **Q. MR. DeMOINE, WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

38 A. The purpose of my testimony is to present the revised estimate of the Company's
39 projection of gas costs for the period April 1996 through March 1997. I will
40 describe generally the Company's projection of gas costs and the development of
41 the maximum rate to be charged to customers for the period April 1997, through
42 March 1998.

43 Q. HAS THE COMPANY PREPARED THE FORMS AS PRESCRIBED BY
44 THIS COMMISSION FOR THIS PURPOSE.

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

47 Q. CAN YOU EXPLAIN THE PROJECTION METHODOLOGY?

48 A. Yes. Under this methodology, which was adopted by Order No. PSC-93-0708-
49 FOF-GU of this Commission on May 10, 1993, gas companies are to project their
50 gas costs each twelve months for the ensuing twelve-month period ending in
51 March. A rate per therm is developed for the weighted average cost of gas
52 (WACOG). This rate, based on the average of the winter and summer seasons
53 would lead to over or underrecoveries of gas costs in the two seasons. This
54 problem is mitigated by establishing a maximum levelized purchased gas factor
55 based on the company's expected winter cost of gas, thereby eliminating the large
56 underrecovery in that season. The Company is then able to flex downward in the
57 summer in order to match market conditions and eliminate the potential for a large
58 overrecovery for the remainder of the period.

59 Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE AS
60 PROJECTED?

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

64 Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM
65 MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN ACTUAL
66 AND ESTIMATED COSTS?

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

71 Q. ARE ANY FGT RATE CHANGES PROPOSED WHICH ARE
72 REFLECTED IN THIS FILING?

73 A. Yes. On August 30, 1996, FGT filed with the FERC for a general rate increase in
74 Docket No. RP96-366. The FERC subsequently issued an Order accepting FGT's
75 filing and suspending the proposed rates for five months. The suspension period
76 will end on March 1, 1997, at which time FGT's proposed rates will go into effect
77 This filing incorporates the rates contained in FGT's filing as of that date

78 Q. HAVE YOU MADE ANY MODIFICATIONS TO THE COMMISSION
79 PRESCRIBED FORMS?

80 A. Yes. On Form E-2, lines 4a and 4b were added. The reason these lines were
81 added was that gas costs rose significantly in the period December 1996 through
82 March 1997. In order to recover the level of revenues presented on line 4, City
83 Gas would have had to charge a PGA rate in excess of its cap. Therefore, line 4a
84 represents the difference in revenue between the Company's cap of \$0.42184 and
85 the amount which would have been charged if the Company could exceed its cap

86 Q. CAN YOU SUMMARIZE THE CONTENTS OF THE SCHEDULES
87 SUBMITTED AS PART OF THIS FILING?

88 A. Yes. For the projected period April 1997 through March 1998, we estimate the
89 gas purchases for resale will be 78,469,076 therms at a total cost of \$35,356,950,
90 with a resulting WACOG of 45.058 cents per therm (before the application of the
91 true-up factor and the regulatory assessment fee) The difference between the
92 estimated actual and actual true-up for the prior period April 1995 through March
93 1996 is an underrecovery of \$1,223,433 The projected true-up for the current
94 period April 1996 through March 1997 is an underrecovery of \$3,290,895 The
95 total true-up as shown on Schedule E-4 is an underrecovery of \$4,514,328 for a
96 true-up factor of 5.753 cents per therm that would be applied during the projected
97 period. This true-up factor increases the gas cost factor during the April 1997
98 through March 1998 period, to 50.811 cents per therm (before the regulatory
99 assessment fee) With the regulatory assessment fee added, the PGA factor is
100 51.003 cents per therm based on the average of the winter and summer seasons
101 City Gas however has chosen to establish a maximum levelized purchased gas
102 factor based on the Company's expected winter cost of gas as follows

103 Winter Average

104	Total Cost (Line 11)	\$20,240,298
105	Total Therm Sales (Line 27)	42,427,535
106	(11/27)	\$0.47706
107	True-up	0.05753

108	Before Regulatory Assess.	0.53459
109	Revenue Tax Factor	1.00376
110	Purchased Gas Factor	\$0.53660

111 As shown above, the maximum levelized purchased gas factor based on the
112 Company's expected winter cost of gas is 53.459 cents per therm before the
113 regulatory assessment fee. This is the maximum gas cost factor that City Gas may
114 charge its customers for the period April 1997 through March 1998.

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

116 A. Yes, it does.