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January 14, 1997

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FILE COPY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

HAND DELIVERY

RE: Docket No. **970003-GU**
Purchased Gas Adjustment (PGA)

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Chesapeake Utilities Corporation are an original and fifteen copies of the following:

1. Petition for Approval of Chesapeake Utilities Corporation's Purchased Gas Adjustment Factor; **00476-97**
2. Direct Testimony of Anne V. Wood; **00477-97**
3. Exhibit AVW-2: Purchased Gas Projection Filing (April, 1997 - March, 1998); and **00478-97**
4. our Certificate of Service. *attached to letter*

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein
Wayne L. Schiefelbein

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FPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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IN RE: Purchased Gas Adjustment)
(PGA) True-up)

Docket No. 970003-GU
Filed: January 14, 1997

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the Petition for Approval of Chesapeake Utilities Corporation's Purchased Gas Adjustment Factor, the Direct Testimony of Anne V. Wood and Exhibit AVW-2, have been furnished on this 14th day of January, 1997 by hand-delivery to W. COCHRAN KEATING, ESQ., Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and by regular U.S. Mail to the following:

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Corporation

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
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In re: Purchased Gas Adjustment)
(PGA) True-up)

DOCKET NO. 970003-GU

DIRECT TESTIMONY OF ANNE V. WOOD

On Behalf of Florida Division
Chesapeake Utilities Corporation

Submitted for filing: January 14, 1997

DOCUMENT NUMBER DATE

00477 JAN 14 97

FPSC-RECORDS/REPORTING

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 33992.

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 1997
23 through March 1998.

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 1997
4 through March 1998 levelized purchased gas cost factor
5 projection:

6 E-1 - PGA Calculation, Original Estimate for the
7 Projected Period April 1997 - March 1998. (Total
8 Company)

9 E-1 - PGA Calculation, Original Estimate for the
10 Projected Period April 1997 - March 1998 (Firm Sales
11 Customers)

12 E-1 - PGA Calculation, Original Estimate for the
13 Projected Period April 1997 - March 1998
14 (Interruptible Sales Customers)

15 E-1/R - PGA Calculation, Revised Estimate for the
16 Period April 1996 - March 1997 (Total Company)

17 E-1/R - PGA Calculation, Revised Estimate for the
18 Period April 1996 - March 1997 (Allocated Firm)

19 E-1/R - PGA Calculation, Revised Estimate for the
20 Period April 1996 - March 1997 (Allocated
21 Interruptible)

22 E-2 - Calculation of True-up Amount for the
23 Current Period April 1996 - March 1997

24 E-3 - Transportation Purchases for the Projected
25 Period April 1997 - March 1998

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E-4 - Calculation of True-up Amount, Projected
Period April 1997 - March 1998

E-5 - Therm Sales and Customer Data for the
Projected Period April 1997 - March 1998

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

A. Yes, they were.

Revised Estimate April 1996 - March 1997

Q. What is the revised estimate of total purchased gas
costs for the period April 1996 - March 1997?

A. The revised projection of purchased gas cost for the
current period is \$13,166,905.

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

A. As shown on Schedule E-2 the company estimates the
total gas revenue to be collected during the period to
be \$11,567,863. This amount includes a refund of
prior period overcollections in the amount of
\$766,091. Therefore, the revenue collected to cover
the current period's gas cost is estimated to be
\$12,333,954.

Q. What is the revised true-up amount, including
interest, estimated for the April 1996 - March 1997
period?

1 A. The company estimates the revised true-up, including
2 interest, to be an undercollection of \$815,801.

3 April 1997 - March 1998 Projection

4 Q. How did you develop your projection of the Florida
5 Division's cost of gas for the April 1997 - March 1998
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 1997 - March 1998.

18 Q. Please describe the general steps or mechanics of
19 projecting the total cost of gas for the April 1997 -
20 March 1998 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 1997 - March 1998, 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 1995 and 1996 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 1997 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 1998?

3 A. This figure is shown on Schedule E-1 (Total Company),
4 line 40, and is 37.384 cents per therm. To arrive at
5 the total PGA factor, the 37.384 cents per therm is
6 adjusted for the estimated total true-up through March
7 1997 (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 1997 - March 1998?

11 A. The projected system-wide PGA factor for the period is
12 40.601 cents per therm.

13 Q. The estimated total true-up for the twelve months
14 ended March 1997 as calculated on Schedule E-4 is
15 included in the projected PGA factor for the period
16 April 1997 - March 1998. Please explain how it was
17 calculated.

18 A. The final true-up amount for the period April 1995 -
19 March 1996 is added to the estimated end of period net
20 true-up for April 1996 - March 1997. The April 1996 -
21 March 1997 estimated true-up is based on eight months'
22 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, 1997 on the projected PGA
25 factor for the April 1997 - March 1998 period?

1 A. The projected true-up as of March 31, 1997 is an
2 underrecovery of \$956,285 (Schedule E-4). Dividing
3 the underrecovery by the April 1997 - March 1998
4 projected therm sales of 38,929,863 results in a
5 surcharge of 2.456 cents per therm to be included in
6 the proposed PGA factor.

7 Q. What is the maximum levelized purchased gas factor
8 (cap) that you are proposing for the April 1997 -
9 March 1998 period?

10 A. The maximum levelized purchased gas factor (cap) that
11 we are proposing for the period is 48.537 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 44.633 cents per therm
18 and 37.709 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 1997 through March 1998 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.