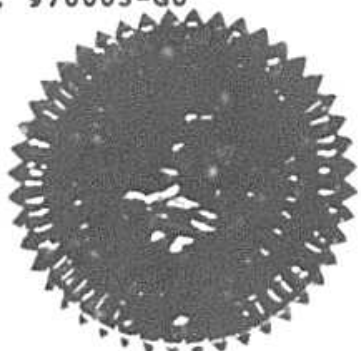


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of :
Purchased gas adjustment :
(PGA) true-up :

DOCKET NO. 970003-GU



PROCEEDINGS: HEARING

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

DATE: Wednesday, February 19, 1997

TIME: Commenced at 9:30 a.m.

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

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
(904) 413-6732

DOCUMENT NUMBER - DATE
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1 APPEARANCES:

2 JOHN ROGER HOWE, Deputy Public Counsel,
3 Office of Public Counsel, c/o The Florida Legislature,
4 111 West Madison Street, Room 812, Tallahassee,
5 Florida 32399-1400, appearing on behalf of the
6 Citizens of the State of Florida.

7 WILLIAM COCHRAN KEATING, Florida Public
8 Service Commission, Division of Legal Services, 2540
9 Shumard Oak Boulevard, Tallahassee, Florida
10 32399-0870, appearing on behalf of the Commission
11 Staff.

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I N D E X

MISCELLANEOUS

ITEM	PAGE NO.
CERTIFICATE OF REPORTER	114
WITNESSES	
NAME:	
ANNE V. WOOD	
Prefiled Direct Testimony Inserted Into the Record by Stipulation	11
RAYMOND A. DeMOINE	
Prefiled Direct Testimony Inserted Into the Record by Stipulation	25
GEORGE BACHMAN	
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MARC L. SCHNEIDERMAN	
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W. EDWARD ELLIOTT	
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JERRY H. MELENDY, JR.	
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1 WITNESSES CONTINUED:

2 NAME PAGE NO.

3 STUART L. SHOAF

4 Prefiled Direct Testimony Inserted 101
5 Into the Record by Stipulation

6 TOM GOODWIN

7 Prefiled Direct Testimony Inserted 107
8 Into the Record by Stipulation

9 EXHIBITS

10	NUMBER	ID.	ADMTD.
11	1 (Wood) AVW-1	10	10
12	2 (Wood) AVA-2	10	10
13	3 (DeMoine) RAD-1	10	10
14	4 (Bachman) Schedules A-1, A-1/R, A-1 flex down, A-1 Supporting Detail, A-2, A-3, 15 A-4, A-5, A-6 and A-7	10	10
16	5 (Bachman) Schedules E-1, E-/R, E-2, E-3, E-4 and E-5.	10	10
17	6 (Powers) PGA Summary of 18 Estimates for the Projected Period	10	10
19	7 (Powers) Calculation of 20 True-Up Amount Current Period (eight months actual and 21 four months estimated)	10	10
22	8 (Powers) Transportation 23 Purchases System Supply and End Use for the Projected 24 Period	10	10
25			

EXHIBITS CONTINUED:			
NUMBER		ID.	ADMTD.
9	(Powers) Calculation of True-up Amount for the Projected Period Based on the Prior Period and Current Period (eight months actual and four months estimated)	10	10
10	(Powers) Calculation of Therm Sales and Customer Data	10	10
11	(Elliott) EE-1	10	10
12	(Elliott) EE-2	10	10
13	(Melendy) JHM-2	10	10
14	(Defrain) LD-1	10	10
15	(Defrain) April 1997 - March 1998 PGA Factor, Schedules E-1 through E-5	10	10
16	(Shoaf) SLS-1	10	10
17	(Shoaf) SLS-2	10	10
18	(Shoaf) SLS-3	10	10
19	(Shoaf) SLS-4	10	10
20	((Shoaf) SLS-5	10	10
21	(Shoaf) SLS-6	10	10
22	(Goodwin) TG-1	10	10
23	(Goodwin) Schedules E-1, E-1/R, E-1, E-3, E-4 and E-5	10	10

P R O C E E D I N G S .

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CHAIRMAN JOHNSON: I'm going to call the hearing to order. Could you please read the notice?

MR. KEATING: Pursuant to notice issued January 13, 1997, this time and place has been set for hearing in Dockets No. 970001-EI, fuel and purchased power cost recovery clause and generating performance incentive factor; 970002-EG, conservation cost recovery clause; 977003-GU, purchased gas adjustment and 970007-EI, environmental cost recovery clause.

CHAIRMAN JOHNSON: Take appearances.

MR. BEASLEY: James D. Beasley, with the law firm of Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302, representing Tampa Electric Company in the 970001, 2 and 7 dockets.

MR. MCGEE: James McGee, P. O. Box 14042, St. Petersburg 33733, on behalf of Florida Power in the 01 and 02 dockets.

MR. HOWE: I'm Roger Howe with the Office of Public Counsel. With me is the Public Counsel, Mr. Jack Shreve, representing the Citizens of the State of Florida, in the 01, 03, 07 dockets.

MS. KAUFMAN: Vicki Gordon Kaufman, McWhirter, Reeves, McGlothlin, Davidson, Rief and Bakas, 117 South Gadsden, Tallahassee 32301. I'm

1 appearing on behalf of the Florida Industrial Power
2 Users Group in 01, 02 and 07 dockets.

3 MS. JOHNSON: Vicki Johnson, appearing for
4 the Commission Staff 01 and 07 dockets.

5 MR. KEATING: Cochran Keating appearing on
6 behalf of Commission Staff in the 03 docket.

7 MS. WAGNER: Lorna Wagner appearing on
8 behalf of Commission Staff in the 02 docket.

9 CHAIRMAN JOHNSON: Are there any preliminary
10 matters? Have we established an order that we will
11 process the different dockets?

12 MR. KEATING: Yes. We'd like to start with
13 the 02, and then move on to the 03, 07 and then the 01
14 docket.

15 CHAIRMAN JOHNSON: Very well.

16 * * * * *

17 MR. KEATING: Commissioners, all of the
18 issues in the 03 docket have been stipulated by the
19 parties. Staff requests that the testimony prefiled
20 in this docket, which appears on Page 5, the witnesses
21 that sponsored the testimony appear on Page 5 of the
22 Prehearing Order. Staff requests that this testimony
23 be moved into the record as though read.

24 CHAIRMAN JOHNSON: Could you then go through
25 the names of the witnesses, just in an abundance of

1 caution, to make sure that we have an accurate record.

2 MR. KEATING: The first witness, and Anne V.
3 Wood, appearing for Chesapeake; second witness is
4 Raymond DeMoine, appearing or City Gas. The third
5 witness was George Bachman, submitted testimony for
6 Florida Power. The fourth was Marc Schneidermann.
7 Fifth, Brian Powers. Sixth, W Edward Elliott.
8 Seventh J.H. Melendy. Eight L. Defrain. Nith, should
9 Stuart L. Shoaf. Tenth, T. Goodwin.

10 CHAIRMAN JOHNSON: Very good. Any
11 questions? Seeing none, those will be stipulated into
12 the record as though read. And any exhibits?

13 MR. KEATING: Let me just make a correction
14 George Bachman submitted testimony for FPUC, not
15 Florida Power.

16 CHAIRMAN JOHNSON: Very good. That will be
17 noted for the record.

18 MR. KEATING: The exhibits. Staff would
19 also like marked for identification the exhibits
20 listed on Pages 9 through 11 of the Prehearing Order
21 and we can go through those. Not all of those are
22 identified by initials and/or numbers so when we get
23 to some that are not identified maybe I'll give you
24 brief description.

25 CHAIRMAN JOHNSON: Short title will be fine.

1 MR. KEATING: The exhibit identified as
2 AVW-1 will be marked as Exhibit 1. AVW-2 as Exhibit
3 2. RAD-1 as Exhibit 3. GMB- and there's not a number
4 here it would be Schedules A1, A1R and the other A
5 schedules to be marked as Exhibit 4. GNB- and there's
6 no number here, this would be the E schedules; this
7 would be marked as Exhibit 5.

8 The PGA summary of estimates for the
9 projected period proffered by Indiantown would be
10 marked as Exhibit 6. Calculation of true-up amounts
11 for the current period submitted by Indiantown would
12 be marked as Exhibit 7.

13 Transportation purchases system supply and
14 end use for the projected period -- I'm reading the
15 descriptions from the Prehearing Order -- also
16 submitted by Indiantown to be marked as Exhibit 8. A
17 calculation of true-up amount for the projected period
18 based on the prior period and current period to be
19 marked as Exhibit 9. Calculation of therm sales and
20 customer data as Exhibit 10. The exhibit identified
21 as EE-1 is Exhibit 11. EE-2 is Exhibit 12. JHM-2 is
22 Exhibit 13. LD-1 is Exhibit 14. LD- as Exhibit 15.
23 SLS-1 as Exhibit 16; SLS-2, 17; SLS-3 is Exhibit 18.
24 SLS-4 is Exhibit 19. SLS-5 is Exhibit 20. SLS-6 is
25 Exhibit 21. TG-1 is Exhibit 22 and TG- and there's no

1 number as Exhibit 23.

2 **CHAIRMAN JOHNSON:** They will be marked as
3 read.

4 **MR. KEATING:** Staff would request those
5 exhibits be moved into the record.

6 **CHAIRMAN JOHNSON:** They will be moved into
7 the record without objection.

8 (Exhibits 1 through 23 marked for
9 identification and received in evidence.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 960003-GU

DIRECT TESTIMONY OF ANNE V. WOOD

On Behalf of Florida Division
Chesapeake Utilities Corporation

Submitted for filing: November 15, 1996

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

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

5 Q. Describe briefly your educational background and relevant professional background.

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

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to discuss the final true-up for the period April 1995
14 through March 1996.

15 Exhibits

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

18 A. Yes. As Composite Exhibit AVW-1, I am sponsoring the following schedules with
19 respect to the final true-up for the period April 1995 through March 1996.

20 A-1 - Comparison of Actual Versus Original Estimate of the Purchased Gas Adjustment
21 Cost Recovery Factor - October 1995 through September 1996

22 A-1(2) - Purchased Gas Adjustment Cost Recovery Clause Calculation - Schedule A-1
23 Supporting Detail - October 1995 through September 1996.

24 A-2 - Calculation of True-up and Interest Provision - October 1995 through September
25 1996.

- 1 A-3 - Transportation Purchases - October 1995 through September 1996.
2 A-4 - Transportation System Supply - October 1995 through September 1996.
3 A-5 - Therm Sales and Customer Data - October 1995 through September 1996.
4 A-6 - Conversion Factor Calculation - October 1995 through September 1996.
5 A-7 - Final Fuel Over/Under Recovery - April 1995 through March 1996.
6 Also attached are the individual PGA filings for the months of October 1995 through
7 September 1996.

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

9 A. Yes, they were.

10 Final True-Up April 1995 - March 1996

11 Q. What were total therm sales for the period April 1995 through March 1996?

12 A. Total therm sales subject to the PGA were 43,388,762 therms.

13 Q. What were total therm purchases for the period April 1995 through March 1996?

14 A. Total therm purchases were 40,529,387 therms.

15 Q. What was the cost of gas to be recovered through the PGA for the period April 1995
16 through March 1996?

17 A. The cost of gas purchased for the period was \$11,204,479.

18 Q. What was the amount of gas revenue collected for the period April 1995 through March
19 1996?

20 A. The amount of gas revenue collected to cover the cost of gas was \$11,788,466.

21 Q. What is the total true-up provision for the period April 1995 through March 1996?

22 A. The total true-up provision, including interest, is an overrecovery of \$624,965 for the
23 period.

24 Q. What is the amount of estimated true-up included for April 1995 through March 1996
25 in the April 1996 through March 1997 PGA factor calculation?

- 1 A. The amount of estimated true-up for the period April 1995 through March 1996 included
2 in the April 1996 through March 1997 PGA factor calculation was an overrecovery of
3 \$765,449.
- 4 Q. What is the final over/underrecovery for the April 1995 through March 1996 period to
5 be included in the April 1997 through March 1998 projection?
- 6 A. The final underrecovery for the April 1995 through March 1996 period to be included
7 in the April 1997 through March 1998 projection is \$140,484.
- 8 Q. Does this conclude your testimony?
- 9 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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 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.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Purchased Gas Adjustment) Docket No. 960003-GU
(PGA) True-Up) Filed: November 19, 1996

DIRECT TESTIMONY
OF
RAYMOND A. DeMOINE
ON BEHALF OF CITY GAS COMPANY OF FLORIDA
(A DIVISION OF NUI CORPORATION)

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF

3 RAYMOND A. DeMOINE

4 ON BEHALF OF CITY GAS COMPANY OF FLORIDA

5 (A DIVISION OF NUI CORPORATION)

6 DOCKET NO. 960003-GU

7
8 PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

9
10 A. My name is Raymond A. DeMoine. My business address is NUI
11 Corporation, One Elizabethtown Plaza, Union, New Jersey 07083.

12
13 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

14
15 A. I am employed by NUI Corporation ("NUI") as Director, Rates and
16 Regulatory Affairs. City Gas Company of Florida ("City Gas" or "the
17 Company") is an operating division of NUI Corporation.

18
19 Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

20
21 A. I received a Bachelor of Science in Commerce degree, with a major in
22 Accounting, from Rider College in June 1983. In June of 1990, I
23 received a Master of Business Administration degree from Rider
24 College. I am a Certified Public Accountant in the State of New
25 Jersey, and a member of the American Institute of Certified Public
26 Accountants and the New Jersey State Society of Certified Public
27 Accountants.

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Upon graduation from Rider College in 1983, I was employed by the State of New Jersey as an Auditor/Investigator with the Division of Criminal Justice. I audited various types of business entities, primarily for the detection of fraud. In December of 1986, I accepted a professional staff position with the certified public accounting firm of Arthur Young (currently 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.

In July 1989, I was hired as Administrator of External Reporting by Elizabethtown Gas Company, NUI's New Jersey Division. In that role, I was responsible for the coordination of the Accounting Department's efforts in all regulatory filings.

In August 1993, I was assigned to NUI's Florida Division, City Gas Company of Florida to coordinate the analysis, filing and prosecution of its 1994 base rate case. In March 1995, I was promoted to Manager of Regulatory Affairs. In July 1995, I assumed a supervisory roll for all rate and regulatory matters in Elizabethtown's Rate Department.

On October 1, 1995, NUI centralized certain functions, which included the utility rate and pricing function. Therefore, I now have responsibility for the rate and pricing function in each of NUI's utility jurisdictions.

On November 1996, I was promoted to Director of Rates and Regulatory Affairs.

1 Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY

2

3 A. The purpose of my testimony is to present the comparison of Actual
4 versus Original estimate of the purchased gas adjustment cost
5 recovery factor and true-up provision for the period October, 1995
6 through September, 1996 for City Gas.

7 Q. HAS THE COMPANY PREPARED THE FORMS PRESCRIBED BY THIS COMMISSION FOR
8 THIS PURPOSE?

9 A. Yes. The forms prescribed by the Commission, Schedules A-1 through
10 A-6 for the months of October 1995 through September 1996, Schedule A-7
11 and schedule E-4, are attached to my testimony.

12

13 Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS THE ACTUAL GAS COSTS
14 ASSOCIATED WITH THE GAS ADJUSTMENT COST RECOVERY FACTOR?

15

16 A. Yes. City Gas prepared Schedule A-7, attached, which describes the
17 total fuel cost for the period in question, recovery of such cost
18 from ratepayers through the Gas Adjustment Cost Recovery Factor, and
19 remaining over-or under-recovery of gas cost.

20

21 Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE COMPANY DURING THE TWELVE
22 MONTHS ENDED SEPTEMBER 30, 1996?

23

24 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
25 twelve months ended September 30, 1996 is \$ 31,204,696.

26

27 Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST RECOVERED BY THE COMPANY DURING
28 THE TWELVEMONTHS ENDED SEPTEMBER 30, 1996?

1

2 A. The Company recovered \$ 30,074,339.

3

4 Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE TWELVE MONTHS ENDED
5 SEPTEMBER 30, 1996?

6

7 A. The actual true-up amount, including interest, is an over-recovery of
8 \$ 587,520, as shown on the September 1996 Schedule A-2, "Actual"
9 column, line 11.

10

11 Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT AMOUNT OF OVER-RECOVERY?

12

13 A. Yes. As shown on Schedule A-7, the total under-recovered amount for
14 the twelve month period ending September 30, 1996 is \$ 811,957. The
15 beginning balance on September 30, 1995 was an over-recovery of \$
16 1,338,247. The sum of these two balances yields over-recorded
17 balance of \$ 526,290. By adding \$ 61,230, which is the amount that
18 City Gas refunded its customers during the period in question, one
19 arrives at the total over-recovered amount of \$ 587,520.

20

21 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

22

23 A. Yes.

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

1
2
3 In Re: Purchased Gas Adjustment) Docket No. 960003-GU
4 (PGA) True-Up) Filed: November 26, 1996
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DIRECT TESTIMONY

OF

RAYMOND A. DeMOINE

ON BEHALF OF CITY GAS COMPANY OF FLORIDA

(A DIVISION OF NUI CORPORATION)
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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF

3 RAYMOND A. DeMOINE

4 ON BEHALF OF CITY GAS COMPANY OF FLORIDA

5 (A DIVISION OF NUI CORPORATION)

6 DOCKET NO. 960003-GU

7
8 **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**9
10 A. My name is Raymond A. DeMoine. My business address is NUI
11 Corporation, One Elizabethtown Plaza, Union, New Jersey 07083.12
13 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**14
15 A. I am employed by NUI Corporation ("NUI") as Director, Rates and
16 Regulatory Affairs. City Gas Company of Florida ("City Gas" or "the
17 Company") is an operating division of NUI Corporation.18
19 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.**20
21 A. I received a Bachelor of Science in Commerce degree, with a major in
22 Accounting, from Rider College in June 1983. In June of 1990, I
23 received a Master of Business Administration degree from Rider
24 College. I am a Certified Public Accountant in the State of New
25 Jersey, and a member of the American Institute of Certified Public
26 Accountants and the New Jersey State Society of Certified Public
27 Accountants.

1

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

11 In July 1989, I was hired as Administrator of External Reporting
12 by Elizabethtown Gas Company, NUI's New Jersey Division. In that role,
13 I was responsible for the coordination of the Accounting Department's
14 efforts in all regulatory filings.

15 In August 1993, I was assigned to NUI's Florida Division, City Gas
16 Company of Florida to coordinate the analysis, filing and prosecution of
17 its 1994 base rate case. In March 1995, I was promoted to Manager of
18 Regulatory Affairs. In July 1995, I assumed a supervisory roll for all
19 rate and regulatory matters in Elizabethtown's Rate Department.

20 On October 1, 1995, NUI centralized certain functions, which
21 included the utility rate and pricing function. Therefore, I now have
22 responsibility for the rate and pricing function in each of NUI's
23 utility jurisdictions.

24 On November 1996, I was promoted to Director of Rates and
25 Regulatory Affairs.

26

27

1 Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY

2

3 A. The purpose of my testimony is to present the comparison of Actual
4 versus Original estimate of the purchased gas adjustment cost
5 recovery factor and true-up provision for the period April 1995
6 through March 1996 for City Gas.

7 B. HAS THE COMPANY PREPARED THE FORMS PRESCRIBED BY THIS COMMISSION FOR
8 THIS PURPOSE?

9 A. Yes. The forms prescribed by the Commission, Schedules A-1 through
10 A-6 for the months of April 1995 through March 1996, Schedule A-7 and
11 schedule E-4, are attached to my testimony.

12

13 Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS THE ACTUAL GAS COSTS
14 ASSOCIATED WITH THE GAS ADJUSTMENT COST RECOVERY FACTOR?

15

16 A. Yes. City Gas prepared Schedule A-7, attached, which describes the
17 total fuel cost for the period in question, recovery of such cost
18 from ratepayers through the Gas Adjustment Cost Recovery Factor, and
19 remaining over-or under-recovery of gas cost.

20

21 Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE COMPANY DURING THE TWELVE
22 MONTHS ENDED MARCH 31, 1996?

23

24 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
25 twelve months ended March 31, 1996 is \$ 26,610,021.

26

1 Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST RECOVERED BY THE COMPANY DURING
2 THE TWELVEMONTHS ENDED MARCH 31, 1996?

3 A. The Company recovered \$ 24,798,260.
4

5 Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE TWELVE MONTHS ENDED
6 MARCH 31, 1996?

7
8 A. The actual true-up amount, including interest, is an under-recovery
9 of \$1,378,495, as shown on the March 1996 Schedule A-2, "Actual"
10 column, line 11.
11

12 Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT AMOUNT OF UNDER-RECOVERY?
13

14 A. Yes. As shown on Schedule A-7, the total under-recovered amount for
15 the twelve month period ending March 31, 1996 is \$ 1,422,567. The
16 beginning balance on March 31, 1995 was an over-recovery of \$76,672.
17 The sum of these two balances yields under-recorded balance of
18 \$1,345,895 . By adding \$30,600 , which is the amount that City Gas
19 refunded its customers during the period in question, one arrives at
20 the total under-recovered amount of \$1,376,495.
21

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
23

24 A. Yes.
25
26

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **RAYMOND A. DeMOINE***97003-64*5
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**
18 **accounting firm of Arthur Young (now Ernst and Young), a worldwide accounting**
19 **and consulting firm. My experience with this public accounting firm included**
20 **auditing and consulting engagements on a variety of entities and exposure to**
21 **varied accounting systems.**

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.

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.
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, 1995
10 through March 31, 1996. 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, 1995 through
15 March 31, 1996.
16 A. The Company over-recovered \$176,229 during April 1995 through
17 March 1996. 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 1996
21 hearing?

1 A. We had estimated an over-recovery of \$1,371,194 as of March
2 1996.

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

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

6 Q. Does this conclude your testimony?

7 A. Yes.

8 Disk 19

9 GBTST-10.PGA

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

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 were contained
9 in composite exhibit GMB-3 which supports the April 1996 - March 1997 Mid-
10 Course Correction.
- 11 Q. Were the schedules filed by your Company completed under your direction?
- 12 A. Yes.
- 13 Q. Which of the staff's set of schedules has your Company completed and filed?
- 14 A. We have prepared composite exhibit GMB-3 which contains Schedules E1, E2,
15 and E3, for our consolidated gas division. These schedules support the
16 calculation of the Mid-Course Correction purchased gas adjustment factors for

1 April 1996 - March 1997. The Mid-Course Correction will be effective February
2 1, 1997, through March 31, 1997.

3 Q. Does this conclude your testimony?

4 A. Yes.

5 **ISSUE 1:** What is the appropriate Mid-Course Correction levelized
6 purchased gas adjustment recovery (cap) factor for the period February, 1997
7 through March, 1997?

8 **COMPANY POSITION:** The Purchased Gas Cost Recovery Factor will be a
9 maximum of 66.333¢ per therm.

10 **ISSUE 2:** What should be the effective date of the new purchased gas
11 adjustment charge for billing purposes?

12 **COMPANY POSITION:** The Mid-Course factor should be effective for all
13 meter readings on or after February 1, 1997, beginning with the first or applicable
14 billing cycle for the period February, 1997 - March, 1997.

15

16

17 GMB-PGA-COR.TEST

18 disk PGA 12/96

19

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970003-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 contained
- 9 in composite exhibit GMB-3 which supports the April 1997 - March 1998
- 10 projected purchased gas adjustments for our consolidated gas division. In
- 11 addition, I will advise the Commission of the projected differences between the
- 12 revenues collected and the purchased gas costs allowed in developing the
- 13 levelized purchased gas adjustment for the periods April 1995 - March 1996 and
- 14 April 1996 - March 1997. From these two periods I will establish a "true-up"
- 15 amount to be collected or refunded during April 1997 - March 1998.
- 16 Q. Were the schedules filed by your Company completed under your direction?
- 17 A. Yes.

- 1 Q. Which of the staff's set of schedules has your Company completed and filed?
- 2 A. We have prepared and pre-filed True-Up Schedules A-1, A-2, A-3, A-4, A-5, A-6,
3 A-7 and A-8 in addition to composite exhibit GMB-3 which contains Schedules
4 E1, E1/R, E2, and E3, E4 and E5 for our consolidated gas division. These
5 schedules support the calculation of the purchased gas adjustment factors for
6 April 1997 - March 1998.
- 7 Q. Does this conclude your testimony?
- 8 A. Yes.

9 **PURCHASED GAS ADJUSTMENT ISSUES**

10 **ISSUE 1:** What is the appropriate final purchased gas adjustment true-up
11 amount for the period April, 1995 through March, 1996?

12 **COMPANY POSITION:** The final purchased gas adjustment true-up amount
13 for the period April 1995 - March 1996 is an under-recovery of \$1,194,965.

14 **ISSUE 2:** What is the estimated purchased gas adjustment true-up amount for
15 the period April, 1996 through March, 1997?

16 **COMPANY POSITION:** We have estimated that we will have under-
17 recovered \$2,468,967 for the period April 1996 - March 1997.

18 **ISSUE 3:** What is the total purchased gas adjustment true-up amount to be
19 collected during the period April, 1997 through March, 1998?

20 **COMPANY POSITION:** The total net under-recovery to be collected during
21 the period April 1997 - March 1998 is \$3,663,932.

22 **ISSUE 4:** What is the appropriate levelized purchased gas adjustment
23 recovery (cap) factor for the period April, 1997 through March, 1998?

1 **COMPANY POSITION:** The Purchased Gas Cost Recovery Factor will be a
2 maximum of 57.569¢ per therm.

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

5 **COMPANY POSITION:** The factor should be effective for all meter readings
6 on or after April 1, 1997, beginning with the first or applicable billing cycle for
7 the period April 1997 - March 1998.

8

9

10

11

12 GMB-PGA-2-97.TEST

13 disk PGA 12/96

14

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

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 were contained
- 9 in composite exhibit GMB-3 which supports the April 1996 - March 1997
- 10 **Revised Mid-Course Correction.**
- 11 Q. Were the schedules filed by your Company completed under your direction?
- 12 A. Yes.
- 13 Q. Which of the staff's set of schedules has your Company completed and filed?
- 14 A. We have prepared composite exhibit GMB-3 which contains **revised schedules**
- 15 E1, E2, and E3, for our consolidated gas division. These schedules support the
- 16 calculation of the **Revised Mid-Course Correction** purchased gas adjustment

1 factors for April 1996 - March 1997. The **Revised Mid-Course** Correction will
2 be effective February 1, 1997, through March 31, 1997.

3 Q. Does this conclude your testimony?

4 A. Yes.

5 **ISSUE 1:** What is the appropriate **Revised Mid-Course** Correction levelized
6 purchased gas adjustment recovery (cap) factor for the period February, 1997
7 through March, 1997?

8 **COMPANY POSITION:** The Purchased Gas Cost Recovery Factor will be a
9 maximum of 66.333¢ per therm.

10 **ISSUE 2:** What should be the effective date of the new purchased gas
11 adjustment charge for billing purposes?

12 **COMPANY POSITION:** The **Revised Mid-Course** factor should be effective
13 for all meter readings on or after February 1, 1997, beginning with the first or
14 applicable billing cycle for the period February, 1997 - March, 1997.

15
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17 GMB-RPGA-COR.TEST
18 disk PGA 12/96
19

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970003-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 **revised projected** gas recoveries computations which are
9 contained in composite exhibit GMB-3 which supports the April 1997 - March
10 1998 **revised projected** purchased gas adjustments for our consolidated gas
11 division. In addition, I will advise the Commission of the projected differences
12 between the revenues collected and the purchased gas costs allowed in developing
13 the levelized purchased gas adjustment for the periods April 1995 - March 1996
14 and April 1996 - March 1997. From these two periods I will establish a "true-up"
15 amount to be collected or refunded during April 1997 - March 1998.
- 16 Q. Were the schedules filed by your Company completed under your direction?
- 17 A. Yes.

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

2 A. We have prepared and pre-filed True-Up Schedules A-1, A-2, A-3, A-4, A-5, A-6,
3 A-7 and A-8 in addition to composite exhibit GMB-3 which contains **Revised**
4 **Schedules E1, E1/R, E2, and E3, E4 and E5** for our consolidated gas division.
5 These schedules support the calculation of the purchased gas adjustment factors
6 for April 1997 - March 1998.

7 Q. Does this conclude your testimony?

8 A. Yes.

9 **PURCHASED GAS ADJUSTMENT ISSUES**

10 **ISSUE 1:** What is the appropriate final purchased gas adjustment true-up
11 amount for the period April, 1995 through March, 1996?

12 **COMPANY POSITION:** The final purchased gas adjustment true-up amount
13 for the period April 1995 - March 1996 is an under-recovery of \$1,194,965.

14 **ISSUE 2:** What is the estimated purchased gas adjustment true-up amount for
15 the period April, 1996 through March, 1997?

16 **COMPANY POSITION:** We have estimated that we will have under-
17 recovered \$41,418 for the period April 1996 - March 1997.

18 **ISSUE 3:** What is the total purchased gas adjustment true-up amount to be
19 collected during the period April, 1997 through March, 1998?

20 **COMPANY POSITION:** The total net under-recovery to be collected during
21 the period April 1997 - March 1998 is \$1,236,383.

22 **ISSUE 4:** What is the appropriate levelized purchased gas adjustment
23 recovery (cap) factor for the period April, 1997 through March, 1998?

1 **COMPANY POSITION:** The Purchased Gas Cost Recovery Factor will be a
2 maximum of \$52.114¢ per therm.

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

5 **COMPANY POSITION:** The factor should be effective for all meter readings
6 on or after April 1, 1997, beginning with the first or applicable billing cycle for
7 the period April 1997 - March 1998.

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12 GMB-RPGA-2-97.TEST

13 disk PGA 12/96

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970003-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 960003-GU, 950003-GU,
14 940003-GU, 930003-GU, 920003-GU and 910003-GU, as
15 well as Docket Numbers 940620-GU and 900151-GU,
16 the most recent filings for rate relief for the
17 Company's 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, 1997 and
9 ends on March 31, 1998.

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 April 1, 1997.

1 The expected cost of natural gas purchased by FPU
2 and delivered to FGT, for transportation to the
3 Company and for FGT's 3.06% compressor fuel use,
4 during the projection period was developed using
5 the highest monthly New York Mercantile Exchange
6 natural gas futures closing prices for like months
7 since June 1992, inflated by 25% due to pricing
8 volatility.

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.

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- 1 Q. Please state your name, business address, by whom you are employed and in
2 what capacity.
- 3 A. My name is Brian J. Powers and my business address is 16600 S.W. Warfield
4 Blvd., Indiantown, Florida 34956. I am employed by Indiantown Gas Company
5 in the capacity of General Manager.
- 6 Q. What are your responsibilities in that position?
- 7 A. I am responsible for the general operation of the company including;
8 rates, regulatory matters, budget preparation, pension plan, gas
9 management, E.D.P., safety compliance, construction, and service
10 department.
- 11 Q. What is the purpose of your testimony?
- 12 A. To briefly discuss the final true-up for the period April 95 - March 96.
- 13 Q. What were the total therm sales for the period April 95 - March 96?
- 14 A. Total therm sales were 11,585,938 therms.
- 15 Q. What were the total therm purchases for the period April 95 - March 96?
- 16 A. Total therm purchases were 11,305,680 therms.
- 17 Q. What was the cost of gas to be recovered through the PGA for the period
18 April 95 - March 96?
- 19 A. The total actual fuel cost for the period April 95 - March 96 was
20 \$3,208,654.
- 21 Q. What was the total amount collected for the period April 95 - March 96?
- 22 A. The total actual fuel revenue was \$3,145,631.
- 23 Q. What is the total true-up provision for the period April 95 - March 96?
- 24 A. The total true-up provision, including interest, is an underrecovery of
25 \$62,059.

1 Q. What is the amount of estimated true-up for the period April 95 - March 96
2 included in the March 97 projection calculation?

3 A. The total estimated true-up was a \$51,846 overrecovery.

4 Q. What is the final over/underrecovery for the period April 95 - March 96?

5 A. The final underrecovery for the period April 95 - March 96 is \$113,905.
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INDIANTOWN GAS COMPANY
DOCKET NO. 970003-GU

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

BRIAN J. POWERS

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

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

Q. What are your responsibilities in that position?

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

Q. What is the purpose of your testimony.

A. To briefly summarize the projected levelized maximum purchased gas cost recovery factor (LPGCR) calculations for the period April 1997 through March 1998.

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

A. Yes. Schedules E-1, E-2, E-3, E-4 and E-5 were filed on January 13, 1997.

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2 Q. Please explain the calculation for the total true-up amount to be
3 collected or refunded during the April 1997 through March 1998
4 period.

5 A. We have projected that at the end of March 1996, based on eight
6 months actual, we will have over-recovered \$107,779 for the
7 April 1996 through March 1997 period. Also at the end of
8 March 1997, we will have under-recovered \$63,203 for the
9 April 1995 through March 1996 period. The total net under-
10 recovery to be collected during the April 1997 through March
11 1998 period is \$5,386. Based on estimated sales for the period
12 April 1997 through March 1998, it will be necessary to add
13 .107 cents per therm to collect this under-recovery. See Schedule
14 E-4 for details of this computation.

15 Q. What (LPCGR) Factor does Indiantown Gas Company seek approval
16 through its petition for the period April 1, 1997 through
17 March 31, 1998?

18 A. \$0.36174 per therm.

19 Q. Does this conclude your testimony?

20 A. Yes

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- 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 8 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 1995 through March

1 1996:

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 1995
23 through March 1996?

24 A. As shown on Schedule A-7, p. 8 of 85 in EE-1, the
25 cost of gas purchased, adjusted for company use,

- 1 was \$110,314,315.
- 2 Q. What was the amount of gas revenue collected for
3 the period April 1995 through March 1996?
- 4 A. The amount of gas revenue collected to cover the
5 cost of gas was \$103,047,078.
- 6 Q. What was the final true-up amount for the period
7 April 1995 through March 1996?
- 8 A. The final true-up amount for the period, including
9 interest and including adjustments of \$94,659 for
10 August 1995, \$106,176 less \$71,183 for October
11 1995, \$439,959 for November 1995, and \$1,920 for
12 December 1995, is an underrecovery of \$6,622,565.
- 13 Q. Is this amount net of the estimated true-up for the
14 period April 1995 through March 1996, which is
15 included in the April 1996 through March 1997 PGA
16 factor calculation?
- 17 A. No. The final true-up net of the estimated true up
18 for the period April 1995 through March 1996 is an
19 underrecovery of \$731,791.
- 20 Q. Is this the final underrecovery amount to be
21 included in the April 1997 through March 1998
22 projection?
- 23 A. Yes.
- 24 Q. Does this conclude your testimony?
- 25 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 8 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 1995 through March 31, 1996.
- 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 1997 through March 1998 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 (G) 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 1997
6 through March 1998.

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 1997 through March 1998?

20 A. We began with total actual throughput of therms
21 delivered to customers during a "base period" of
22 April 1995 through March 1996, 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 1997 through March 1998. 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 1997
6 through March 1998.

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
5 (or "reservation"). Both Peoples and end-users pay
6 the 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 developing
6 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 1997
20 through March 1998. 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 1996 through
3 March 1997.

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 1996 through March 1997 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 1997 through March 1998.

23 Q. Does this conclude your testimony?

24 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

RE: Purchsed Gas Adjustment)

(PGA) True-Up)

DOCKET NO: 970003-GU

PREPARED DIRECT TESTIMONY

OF

JERRY H. MELENDY, JR

ON BEHALF OF

SEBRING GAS SYSTEM, INC

- 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 1997 through March 1998.
- 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 Purchased Gas Adjustment Schedules presently filed

1 are as follows:

2 E-1 - PURCHASED GAS ADJUSTMENT COST RECOVERY
3 CLAUSE CALCULATION, Original Estimate for the Projected
4 Period April 1997 through March 1998.

5 E-1/R - PURCHASED GAS ADJUSTMENT COST RECOVERY
6 CLAUSE CALCULATION, Revised Estimate for the Period April 1996
7 through March 1997.

8 E-2 - CALCULATION OF TRUE-UP AMOUNT for the
9 Current Period April 1996 through March 1997.

10 E-3 - TRANSPORTATION PURCHASES, SYSTEM SUPPLY
11 AND USE for the Period April 1997 through March 1998. 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 1997 through March 1998.

16 E-5 - THERM SALES AND CUSTOMER DATA for
17 the Projected Period April 1997 through March 1998.

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 1996 - MARCH 1997

23 Q. What is the revised estimate of total purchased gas cost for the
24 period April 1996 through March 1997?

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

1 April 1996 through March 1997 is \$189,748

2 Q. What is the revised estimate of gas revenue to be collected for the
3 current period April 1996 through March 1997?

4 A. The revised estimate of gas revenue to be collected for the current
5 period April 1996 through March 1997 is \$201,724

6 Q. What is the revised true-up amount, including interest,
7 estimated for the current period April 1996 through March
8 1997?

9 A. The company's estimate for the revised true-up, including
10 interest, to be an overcollection of \$8,621

11 PROJECTIONS FOR THE PERIOD

12 APRIL 1997 THROUGH MARCH 1998

13 Q. How was the projections for the period April 1997 through
14 March 1998 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 1997 through March 1998?

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 commodity portion of the Cost of Gas
5 Purchased is shown as Lines 1 and 4 of Schedule E-1.
6 The rate utilized for the projected period April 1997 through March 1998
7 are the current rates in effect by PESCO.
8 The Commodity (Other), (line 4) is based on amount of therms
9 purchased by Sebring Gas, multiplied by the current rate per therm,
10 plus a management fee. The rate is based upon the price paid by
11 our supplier PESCO, plus the management fee of \$250.00 per month
12 The management fee allows Sebring Gas to benefit from the work
13 research of the gas procurement department of PESCO for
14 obtaining the best gas price. Because of Sebring Gas' small
15 size and lack of experience in acquiring gas, the best use of the
16 company's funds and resources is to contract PESCO to
17 provide gas for the company.
18 Other charges for the Cost of Gas Purchased is represented on
19 Line 6 of Schedule E-1. This figure consists of a charge for
20 transportation by the City of Sebring, any Western Division
21 Revenue Sharing Credit from FGT and PGA Reporting Fees
22 The City of Sebring transports the company's gas supply through
24 a 7 mile pipeline connected to FGT's gatestation in Avon Park
25 and ending at Sebring Gas' gatestation in Sebring. The pipeline

1 is presenting owned by Tampa Electric Company (TECO), who
2 allows the City of Sebring to operate and maintain. The rate for
3 transportation is based on a contract with the city for \$.035 per
4 MCF transported

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

6 A. The company has only firm sales at this time. Subsequently,
7 the total sales and firm sales are the same. The total sales were
8 determined by using historical averages for both classes, residential
9 and commercial, customers, with a growth factor added. The total
10 sales are shown on Line 27 of Schedule E-1. The total estimated
11 sales for the Projected period April 1997 through March 1998 is
12 639,000 therms.

13 Q. What is the company's average cost per therm for the Projected
14 period April 1997 through March 1998?

15 A. Shown on Line 40 of Schedule E-1, the company's average cost
16 of gas for the Projected period April 1997 through March 1998
17 is estimated to be 39.445 cents per therm. To arrive at the Total
18 PGA Factor, the average cost of gas is adjusted for the estimated
19 total true-up through March 1997, as shown on Schedule E-4,
20 and for revenue-related taxes.

21 Q. What is the projected PGA Factor for the Projected period
22 April 1997 through March 1998?

23 A. The projected PGA Factor for the projected period is 39.324
24 cents per therm, as shown on Line 45 of Schedule E-1

- 1 Q. The estimated total true-up for the period April 1996 through
2 March 1997, as shown on Schedule E-4 is included in the
3 projected PGA Factor for the period April 1997 through March
4 1998. How was the figure calculated?
- 5 A. The final true-up amount for the period April 1995 through
6 March 1996 is added to the estimated end of period net true-up
7 for April 1996 through March 1997. The April 1996 through
8 March 1997 estimated true-up is based on eight months' actual
9 plus four months' projected data.
- 10 Q. What is the impact of the total true-up for the period April 1996
11 through March 1997 on the projected PGA Factor for the
12 Projected period April 1997 through March 1998?
- 13 A. The projected true-up for the period, ending March 1997 is an
14 overrecovery of \$8,621, which is shown on line 4, Column
15 4 of Schedule E-4. Dividing the overrecovery of \$5,487 by
16 the projected therm sales of 639,000 therms results in a
17 refund of .85869 cents per therm to be included in the proposed
18 PGA Factor.
- 19 Q. What is the maximum levelized purchased gas factor (cap)
20 that you are proposing for the projected period April 1997
21 through March 1998?
- 22 A. The maximum levelized purchased gas factor (cap) that Sebring
23 Gas is proposing for the period is 51.231 cents per therm
24 This factor represents the estimated cost of gas for the month

1 of January, 1997; the month with the highest estimated cost of
2 gas, less the true-up refund of .85869 per therm, and the
3 total of the two figures multiplied by the tax revenue factor 1.01911

4 Q. Does this conclude your testimony?

5 A. Yes, it does

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In RE: Purchased Gas Adjustment (PGA) True-Up

Docker No. 960003-GU

**DIRECT TESTIMONY
OF
JERRY H. MELENDY, JR.**

**On Behalf Of
SEBRING GAS SYSTEM, INC.**

- 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 final true-up
17 for the period APRIL 1994 through MARCH 1995.
- 18 Q Has the Company prepared the Schedules as prescribed by
19 this Commission for this purpose?
- 20 A Yes, it has. The Schedules prescribed by the Commission are
21 being filed at this time. Copies are attached to my testimony.
- 22 Q Would you please identify the Schedules which you are filing?
- 23 A Yes. The Schedules are identified as Composite Exhibit JHM-1
24 and are as follows:
- 25 A-1 - COMPARISON OF ACTUAL VERSUS ORIGINAL
26 ESTIMATE OF THE PURCHASED GAS ADJUSTMENT

1 COST RECOVERY FACTOR - APRIL 1995 THROUGH
2 MARCH 1996
3 A-1S - PURCHASED GAS ADJUSTMENT COST RECOVERY
4 CLAUSE CALCULATION SCHEDULE A-1 SUPPORTING
5 DETAIL - APRIL 1995 THROUGH MARCH 1996
6 A-2 - CALCULATION OF TRUE-UP AND INTEREST
7 PROVISION - APRIL 1995 THROUGH MARCH 1996
8 A-3 - TRANSPORTATION PURCHASES SYSTEM
9 SUPPLY AND END USE - APRIL 1995 THROUGH
10 MARCH 1996 This form is not applicable for Sebring Gas System
11 A-4 - TRANSPORTATION SYSTEM SUPPLY - APRIL
12 1995 THROUGH MARCH 1996 Also not applicable for Sebring
13 A-5 - THERM SALES AND CUSTOMER DATA- APRIL
14 1995 THROUGH MARCH 1996
15 A-6 - CONVERSION FACTOR CALCULATION
16 APRIL 1995 THROUGH MARCH 1996
17 A-7 - FINAL FUEL OVER/UNDER RECOVERY - APRIL 1995
18 THROUGH MARCH 1996
19 Also attached are the INDIVIDUAL PGA filings for the months of
20 April 1995 through March 199. These filing include, along
21 with the above mentioned PGA Schedules, copies of the Company's
22 commodity gas bill, the Company's charge for No Notice Reservation,
23 the Company's Billing Transaction and the Company's transportation
24 charges.
25 Q Were these schedules prepared under your direction and
26 supervision ?

- 1 A Yes they were Beginning in April 1994, the PGA schedules were
2 prepared by myself Prior to this, the schedules were prepared by
3 my consultants, Regulated Industry Consultants, with my furnishing
4 the data and final approval
- 5 Q What were the total therm sales for the period April 1995
6 through March 1996?
- 7 A The total therm sales for the period April 1995 through
8 March 1996 were 591,016
- 9 Q What were the total therm purchases for the period April
10 1995 through March 1996?
- 11 A The total therm purchases for the period April 1995
12 through March 1996 were 594,330
- 13 Q What was the cost of gas to be recovered through the PGA
14 for the period April 1995 through March 1996?
- 15 A The cost of gas purchased for the period April 1995 through
16 March 1996 was \$182,327
- 17 Q What was the amount of gas revenue collected for the period
18 April 1995 through March 1996?
- 19 A The amount of gas revenue collected to cover the cost of gas
20 for the period April 1995 through March 1996 was
22 \$168,144
- 23 Q What is the total true-up provision for the period April 1995
24 through March 1996?
- 25 A The total true-up provision, including interest, for the period
26 April 1995 through March 1996, is an underrecovery of
27 \$6,938

1 Q Can you explain how you arrived at the underrecovery amount?

2

3 A Yes, I can. As indicated on the accompanying Schedule A-7,
4 the total underrecovery amount for the twelve month period
5 ending March 31, 1996 was \$3,081. The Beginning of Period
6 True-up and Interest was an overrecovery of \$7,147.
7 The sum of these two figures is an overrecovery balance of
8 \$4,066. Combining this figure, \$4,066, with the amount of true-up
9 refunded during the previous twelve month period, which equals
10 \$11,004, nets an underrecovery of \$6,938, as indicated on line
11 number 11, Period to Date, actual, Schedule A-2, March 1996.

12 Q Does this conclude your testimony?

13 A Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 960003-GU

DIRECT TESTIMONY OF LOU J. DEFRAIN

On Behalf of South Florida Natural Gas Company

Submitted for filing: November 15, 1996

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

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

4 Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to discuss the final true-up for the period April 1995
6 through March 1996.

7 Exhibits

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

10 A. Yes. As Composite Exhibit LD-1, I am sponsoring the following schedules with respect
11 to the final true-up for the period April 1995 through March 1996.

12 A-1 - Comparison of Actual Versus Original Estimate of the Purchased Gas Adjustment
13 Cost Recovery Factor - October 1995 through September 1996

14 A-2 - Calculation of True-up and Interest Provision - October 1995 through September
15 1996.

16 A-3 - Transportation Purchases - October 1995 through September 1996

17 A-4 - Transportation System Supply - October 1995 through September 1996

18 A-5 - Therm Sales and Customer Data - October 1995 through September 1996

19 A-6 - Conversion Factor Calculation - October 1995 through September 1996

20 A-7 - Final Fuel Over/Under Recovery - April 1995 through March 1996.

21 Also attached are the individual PGA filings for the months of October 1995 through
22 September 1996.

23 Final True-up April 1995 - March 1996

24 Q. What were total therm sales for the period April 1995 - March 1996?

25 A. Total therm sales subject to the PGA were 2,493,883 therms

- 1 Q. What were total therm purchases for the period April 1995 through March 1996?
- 2 A. Total therm purchases were 2,402,460 therms.
- 3 Q. What was the cost of gas to be recovered through the PGA for the period April 1995
- 4 through March 1996?
- 5 A. The cost of gas purchased for the period was \$664,431.
- 6 Q. What was the amount of gas revenue collected for the period April 1995 through March
- 7 1996?
- 8 A. The amount of gas revenue collected to cover the cost of gas was \$684,045.
- 9 Q. What is the total true-up provision for the period April 1995 through March 1996?
- 10 A. The total true-up provision, including interest, is an overrecovery of \$31,854 for the
- 11 period.
- 12 Q. What is the amount of estimated true-up included for April 1995 through March 1996
- 13 in the April 1996 through March 1997 PGA factor calculation?
- 14 A. The amount of estimated true-up for the period April 1995 through March 1996 included
- 15 in the April 1996 through March 1997 PGA factor calculation was an overcollection of
- 16 \$41,430.
- 17 Q. What is the final over-underrecovery for the April 1995 through March 1996 period to
- 18 be included in the April 1997 through March 1998 projection?
- 19 A. The final underrecovery for the current period to be included in the April 1997 through
- 20 March 1998 projection is \$9,576.
- 21 Q. Does this conclude your testimony?
- 22 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 970003-GU

DIRECT TESTIMONY OF L. DEFRAIN

On Behalf of South Florida Natural
Gas Company

Submitted for filing: January 15, 1997

- 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 SFNG's
9 calculation of its levelized purchased gas adjustment
10 factor for the period April 1, 1997 through March 31,
11 1998.
- 12 Q. Would you please identify the Composite Exhibit which
13 you are sponsoring with this testimony?
- 14 A. Yes. As Composite Exhibit LD-1, I am sponsoring
15 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5.
- 16 Q. Were these schedules prepared under your direction and
17 supervision?
- 18 A. Yes, they were.
- 19 Revised Estimate April 1996 - March 1997
- 20 Q. What is the revised estimate of total purchased gas
21 costs for the period April 1996 - March 1997?
- 22 A. The revised projection of purchased gas cost for the
23 current period is \$973,327.
- 24 Q. What is the revised projection of gas revenue to be
25 collected for the current period?

1 A. As shown on Schedule E-2, the company estimates the
2 total gas revenue to be collected during the period to
3 be \$782,235. This amount includes a refund of prior
4 period overcollections in the amount of \$112,492.
5 Therefore, the revenue collected to cover the current
6 period's gas cost is estimated to be \$894,727.

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

10 A. The company estimates the revised true-up, including
11 interest, to be an undercollection of \$75,329.

12 April 1997 - March 1998 Projection

13 Q. How did you develop your projection of SFNG's cost of
14 gas for the April 1997 - March 1998 period?

15 A. Our first step was to estimate our supply requirements
16 for each of the twelve months in the period. Our
17 projected supply requirements are based on our
18 projected sales and company use for each month. Once
19 we develop our supply requirements, we can then
20 determine how these requirements will be met. In
21 other words, we match our estimated requirements with
22 the gas supply that is available to us. All of our
23 gas requirements will be met utilizing firm
24 transportation service on FGT for the projected period
25 of April 1997 - March 1998. Due to the complexity of

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

9 Q. Please describe the general steps or mechanics of
10 projecting the total cost of gas for the April 1997 -
11 March 1998 period.

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

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

23 The demand and commodity portions of
24 transportation system supply are shown on Schedule E-
25 1, lines 1, 4, and 5. The commodity pipeline amount

1 (line 1) is based on FGT's current FTS commodity rate
2 multiplied by the number of therms projected to be
3 transported for system supply.

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

18 The demand component of SFNG's cost of gas (line
19 5) for the months of April 1997 - March 1998 is
20 calculated by multiplying SFNG's contract level for
21 capacity with FGT by FGT's current FTS demand rate.

22 Q. Based on the projected total cost of gas and projected
23 sales, what is the weighted average cost per therm for
24 the twelve-month period ended March 1998?

25 A. This figure is shown on Schedule E-1, line 40, and is

- 1 40.008 cents per therm. To arrive at the total PGA
2 factor, the 40.008 cents per therm is adjusted for the
3 estimated total true-up through March 1997 (shown on
4 Schedule E-4) and for revenue-related taxes.
- 5 Q. What is the projected PGA factor for the period April
6 1997 - March 1998?
- 7 A. The projected PGA factor for the period is 43.569
8 cents per therm.
- 9 Q. The estimated total true-up for the twelve months
10 ended March 1997 as calculated on Schedule E-4 is
11 included in the projected PGA factor for the period
12 April 1997 - March 1998. Please explain how it was
13 calculated.
- 14 A. The final true-up amount for the period April 1995 -
15 March 1996 is added to the estimated end of period net
16 true-up for April 1996 - March 1997. The April 1996 -
17 March 1997 estimated true-up is based on eight months'
18 actual data plus four months' projected data.
- 19 Q. What is the impact of the total true-up for the twelve
20 months ended March 31, 1997 on the projected PGA
21 factor for the April 1997 - March 1998 period?
- 22 A. The projected true-up as of March 31, 1997 is an
23 underrecovery of \$84,906 (Schedule E-4). Dividing the
24 overrecovery by the April 1997 - March 1998 projected
25 therm sales of 2,499,000 results in a surcharge of

- 1 3.398 cents per therm to be included in the proposed
2 PGA factor.
- 3 Q. What is the maximum levelized purchased gas factor
4 (cap) that you are proposing for the April 1997 -
5 March 1998 period?
- 6 A. The maximum levelized purchased gas factor (cap) that
7 we are proposing for the period is 43.569 cents per
8 therm.
- 9 Q. Does this conclude your testimony?
- 10 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

1
2
3 In Re: Purchased Gas Recovery)
4 _____)

Docket No. 960003-GU
Submitted for filing
November 19, 1996

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 1995 through March 1996.

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 1995 through March 1996:

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

1 A-1 detail.

2 A-2 - Calculation of True-Up and Interest Provision

3 A-3 - Transportation Purchases System Supply and End

4 Use.

5 A-4 - Transportation System Supply.

6 A-5 - Therm Sales and Customer Data.

7 A-6 - Conversion Factor Calculation

8 A-7 - Final Fuel Over/Under Recovery.

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

11 A. Yes, they were.

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Final True-Up April 1995 - March 1996

- 1
- 2 Q. What were the total therm sales for the period April
3 1995 through March 1996?
- 4 A. Total therm sales were 21,839,311 therms.
- 5 Q. What were total therm purchases for the period April
6 1995 through March 1996?
- 7 A. Total therm purchases were 21,813,376.
- 8 Q. What was the cost of gas to be recovered through
9 the PGA for the period April 1995 through March 1996?
- 10 A. The cost of gas purchased for April 1995 through
11 March 1996 was \$6,236,739.
- 12 Q. What was the amount of gas revenue collected for the
13 period April 1995 through March 1996?
- 14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$6,205,953.
- 16 Q. What is the total true-up provision for the period
17 April 1995 through March 1996?
- 18 A. The total true-up provision, including interest, is an
19 underrecovery of \$34,464.29 for the period.
- 20 Q. What is the amount of estimated true-up included for
21 April 1995 through March 1996 in the April 1996 through
22 March 1997 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period April
24 through March 1996 included in the April 1996 through
25 March 1997 PGA factor calculation was an underrecovery

1 of \$55,504.00.

2 Q. What is the final over/underrecovery for the April 1995
3 through March 1996 period to be included in the
4 April 1997 through March 1998 projection?

5 A. The final overrecovery for the current period to be
6 included in the April 1997 through March 1998 pro-
7 jection is \$21,039.71.

8 Q. Does this conclude your testimony?

9 A. Yes

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2
3 In Re: Purchased Gas Recovery)

Docket No. 970003-GU
Submitted for filing
January 14, 1997

4 _____)
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 submit known and estimated gas
16 costs and therm sales from April 1, 1997 through
17 March 31, 1998, used in developing the maximum twelve
18 month levelized purchased gas cost factor to be applied
19 to customer bills from April 1, 1997 through
20 March 31, 1998.

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

23 A. Yes, I have prepared and filed on Jan. 14, 1997
24 Schedules E-1 through E-5.

25 Q. What Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its
2 petition for the period April 1, 1997 through March
3 31, 1998?

4 A. 67.600 cents per therm

5 Q. Does this conclude your testimony?

6 A. Yes

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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DOCKET NO. 960003-GU

6

DIRECT TESTIMONY OF

7

TOM GOODWIN

8

ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY

9

10 Q. Please state your name and address.

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

18 Q. What is the purpose of your testimony?

19 A. The purpose of my testimony is to discuss the final true-
20 up numbers for the periods April 1995 through March 1996.

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

23 A. Yes. I am sponsoring the following schedules with
24 respect to the final true-up numbers for the period April
25 1995 through March 1996. A-1, A-1R, A-2, A-3, A-4, A-5,

1 A-6 and revised A-7. A-1 support schedules are included
2 where applicable.

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

5 A. Yes, they were. The schedules are attached to my
6 testimony and identified as composite exhibit TG-1.

7 Q. What were the total therm sales for the period April 1995
8 through March 1996.

9 A. Total therm sales excluding end-use transportation
10 volumes for the period April 1995 through March 1996 were
11 27,592,231..

12 Q. What were total therm purchases during the periods April
13 1995 through March 1996.

14 A. Therm purchases excluding end-use transportation volumes
15 for April 1995 through March 1996 were 30,067,343.

16 Q. What was the cost of gas to be recovered through the
17 purchased gas cost recovery clause for the periods April
18 1995 through March 1996.

19 A. The cost of gas purchased for the period April 1995
20 through March 1996 was \$9,503,502.

21 Q. What was the amount of gas revenue collected for the
22 periods April 1995 through March 1996.

23 A. The amount of gas revenue collected for the period April
24 1995 through March 1996 was \$9,109,884.

25 Q. What is the total true-up provision for the periods April

1 1995 through March 1996.

2 A. The total true-up provision, as shown on schedule A-7,
3 for the period April 1995 through March 1996 is an
4 underrecovery of \$183,415.

5 Q. Does this conclude your testimony?

6 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

110

2 **DOCKET NO. 970003-EG**

3 **REVISED DIRECT TESTIMONY OF**

4 **TOM GOODWIN**

5 **ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY**

6 **Q.** Please state your name and address.

7 **A.** My name is Tom Goodwin. My business address is 301 Maple

8 Avenue, Panama City, Florida. I am employed as Coordinator-

9 Gas Management by West Florida Natural Gas Company. My

10 responsibilities include the development of therm sales projections,

11 calculation of the monthly weighted average cost of gas (WACOG).

12 **Q.** What is the purpose of your testimony?

13 **A.** The purpose of my testimony is to describe how the sales

14 estimate of 26,261,143 therms for the period April 1997

15 through March 1998 was determined and to explain the

16 factors considered in the development of our maximum PGA

17 factor for this period.

18 **Q.** Please explain how the sales estimate was developed.

19 **A.** The estimate of 26,261,143 therms consists of projected

20 firm gas sales totaling 22,232,251 therms and

21 interruptible over-run sales from system supply to our

22 transportation customers totaling 4,028,892 therms. In

23 arriving at the firm sales estimate, a projected growth

24 factor of 1.5% for residential consumption and 1.5% for

25 commercial consumption was applied to the estimated sales

1 for the projected period as determined by our forecasting
2 model. Firm industrial sales will reflect the continuing
3 movement to Transportation. Sales of overrun gas to our transportation
4 customers, in excess of their firm transportation entitlements, is expected
5 to continue to decrease due to the availability of additional
6 transportation capacity for these customers through the capacity
7 release system now in effect.

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

9 A. Development of a maximum PGA factor for this annual projection
10 required consideration of all known and anticipated factors affecting
11 the actual total cost of gas supply. Factors such as balancing charges or
12 credits and possible penalty charges or credits from FGT were not
13 considered in this estimate. Total cost of gas has been determined by
14 multiplying estimated purchases from all sources by the appropriate
15 estimated commodity charge rate. Reservation charges have been
16 calculated for pipeline transportation based on revised contract levels
17 and entitlements. Usage and reservation rates are as reflected in
18 Florida Gas Transmission's latest filed tariff sheets. I have also
19 included expected costs or credits associated with no-notice
20 transportation entitlements. My estimates are based on known
21 and/or anticipated rates and past seasonal trends, with the
22 expectation that mid-course adjustments may be required. The
23 calculated total estimated cost of gas supply considers the effect
24 of transportation fuel usage at 3.06% to arrive at the average
25 cost per therm, which was then adjusted for true-up and taxes to

- 1 develop the purchased gas cost recovery factor.
- 2 Q. What are the true-up totals for the period April 1, 1995 through
- 3 March 31, 1996 and April 1, 1996 through March 31, 1997?
- 4 A. As shown on Schedule E-4 our true-up was an underrecovery of
- 5 \$183,415. for the period April 1, 1995 through March 31, 1996.
- 6 The estimated true-up for the period April 1, 1996 through
- 7 March 31, 1997 is an underrecovery of \$438,185. based upon
- 8 eight months actual and four months estimated data
- 9 Q. What is the total true-up for the projected period April 1, 1997
- 10 through March 31, 1998?
- 11 A. The final true-up for the projected April 1, 1997 through
- 12 March 31, 1998 is an underrecovery of \$621,600. as detailed on
- 13 Schedule E-4. A true-up collection factor of 2.367 cents per therm
- 14 has been calculated for the period, as is also shown on Schedule E-4
- 15 Q. What is the total purchased gas cost recovery factor to be applied
- 16 to customer bills during the period April 1997 through March 1998?
- 17 A. We project the maximum purchased gas cost recovery factor,
- 18 including WACOG, true-up factor and related taxes to be 53.340
- 19 cents per therm for the April 1997 through March, 1998 period
- 20 Q. Are you sponsoring any schedules in this Docket?
- 21 A. Yes, I am sponsoring Schedules E-1/R, E-2, E-3 and E-5 for the current
- 22 period and Schedules E-1, E-3, E-4 and E-5 for the projected
- 23 period.
- 24 Q. Does this conclude your testimony?
- 25 A. Yes.

1 CHAIRMAN JOHNSON: Any other matters?

2 MR. KEATING: Staff is present for any
3 questions.

4 CHAIRMAN JOHNSON: Commissioners?

5 COMMISSIONER DEASON: Move we approve the
6 stipulated issues.

7 COMMISSIONER KIESLING: Second.

8 CHAIRMAN JOHNSON: Show they are approved
9 without objection.

10 (Whereupon, the proceedings in Docket
11 970003-GU were concluded.)

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1 STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

3 I, JOY KELLY, CSR, RPR, Chief, Bureau of
4 Reporting, Official Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket
6 No. 970003-GU was heard by the Florida Public Service
7 Commission at the time and place herein stated; it is
8 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 113 pages, constitutes a
13 true transcription of my notes of said proceedings.
14 and the insertion of the prescribed prefiled
15 testimony of the witnesses

16 DATED this 20th day of February, 1997.

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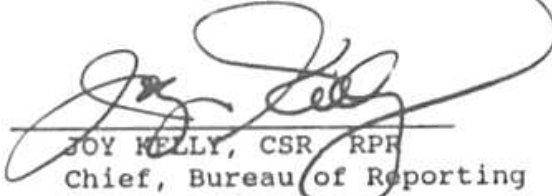
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JOY KELLY, CSR, RPR
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Official Commission Reporter
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