

ORIGINAL

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
JOHN R. ELLIS
KENNETH A. HOFFMAN
THOMAS W. KONRAD
MICHAEL G. MAIDA
J. STEPHEN MENTON
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY F. RUTLEDGE
R. MICHAEL UNDERWOOD

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

OF COUNSEL
CHARLES F. DUDLEY

GOVERNMENTAL CONSULTANTS
PATRICK H. MALLOY
AMY J. YOUNG

October 12, 1998

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

RECORDS AND
REPORTING

OCT 12 PM 3:35
MID-LEVEL MISC

Re: Docket No. 980003-GU

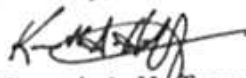
Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Public Utilities Company ("FPU") are the following documents:

1. Original and fifteen copies of Petition for Approval of Florida Public Utilities Company's Purchased Gas Adjustment Recovery Factor; and **11314-98**

- 2. Original and fifteen copies of the Direct Testimony of George M. Bachman; **11315-98**
- 3. Original and fifteen copies of Composite Exhibit GMB-2; and
- 4. Original and fifteen copies of the Direct Testimony of Marc L. Schneidermann **11316-98**

Please acknowledge receipt of these documents by stamping the extra copy of this letter **"filed"** and returning the same to me. Thank you for your assistance with this filing

Sincerely,

Kenneth A. Hoffman

WAH **KAH/d**
 00 All Parties of Record
 011

ORIGINAL

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 980003-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 Gas Operations,
7 Engineering and 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 each of the Company's
13 Purchased Gas Cost Recovery Dockets dating back to
14 Docket Number 910003-GU, as well as Docket Numbers
15 940620-GU and 900151-GU, the Company's last two
16 (2) filings for rate relief for its gas
17 operations.
18 Q. What are the subject matters of your testimony in
19 this proceeding?
20 A. My testimony will relate to three specific
21 matters: forecasts of gas sales, forecasts of the

1 pipeline charges and commodity costs of gas to be
2 purchased by the Company.

3 Q. What is the projection period for this filing?

4 A. The projection period starts on January 1, 1999
5 and ends on December 31, 1999.

6 Q. Please generally describe how the forecasts of gas
7 sales were developed for the projection period.

8 A. Florida Public Utilities developed its gas sales
9 projections based on a January 1994 through June
10 1998 study period. The Company compiled a
11 database, sorted by rate classifications, which
12 consisted of the historical monthly customer
13 consumption and the historical monthly customer
14 counts experienced during the study period.
15 Detailed analyses were performed on the database.
16 From these data, projections of customer counts
17 were constructed by applying the historical
18 average monthly rates of customer growth to the
19 actual June 1998 customer count. June 1998 is set
20 as a pivot point to ensure consistency between
21 this filing and the Company's budget preparation
22 procedures. The historical average monthly
23 consumption per customer, by rate classification,
24 was computed as part of this study. The product
25 of the projected monthly customer count and
26 historical average monthly consumption, by rate

1 developed using the highest monthly New York
2 Mercantile Exchange (NYMEX) natural gas futures
3 closing prices for like months since June 1992,
4 inflated by 25% due to pricing volatility. The
5 forecasts of the commodity cost of gas also takes
6 into account the average basis differential
7 between the NYMEX projections and historic cash
8 markets as well as premiums and discounts, by
9 zone, for term gas supplies.

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

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

1 shipper and/or gas and capacity repackaged and
2 delivered by another FGT capacity holder.
3 Obviously, if other services become available and
4 it is more economic to dispatch supplies under
5 those services, the Company will utilize those
6 services as part of its portfolio.

7 Q. Does this conclude your prepared direct testimony?

8 A. Yes.

9
10
11
12
13
14
15
16
17