

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 990003-GU

AMENDED DIRECT TESTIMONY OF AL KARA

On Behalf of South Florida Natural Gas

Submitted for filing: September 28, 1999

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FPSC-RECORDS/REPORTING

- 1 Q. Please state your name, occupation, and business address.
- 2 A. My name is Al Kara. I am Regional Vice President of South Florida
3 Natural Gas ("SFNG"). My business address is P. O. Box 248, New
4 Smyrna Beach, Florida 32170.
- 5 Q. What is the purpose of your testimony?
- 6 A. The purpose of my testimony is to discuss SFNG's calculation of its
7 levelized purchased gas adjustment factor for the period January 1, 2000
8 through December 31, 2000.
- 9 Q. Would you please identify the Composite Exhibit which you are
10 sponsoring with this testimony?
- 11 A. Yes. As Composite Exhibit AK-1, I am sponsoring Schedules E-1, E-
12 1/R, E-2, E-3, E-4, and E-5.
- 13 Q. Were these schedules prepared under your direction and supervision?
- 14 A. Yes, they were.
- 15 Revised Estimate January 1999 – December 1999
- 16 Q. What is the revised estimate of total purchased gas costs for the period
17 January 1999 – December 1999?
- 18 A. The revised projection of purchased gas cost for the current period is
19 \$819,129.
- 20 Q. What is the revised projection of gas revenue to be collected for the
21 current period?

1 A. As shown on Schedule E-2, the company estimates the total gas revenue
2 to be collected during the period to be \$844,490. This amount includes
3 a refund of prior period overcollections in the amount of \$82,116.
4 Therefore, the revenue collected to cover the current period's gas cost is
5 estimated to be \$926,606.

6 Q. What is the revised true-up amount, including interest, estimated for the
7 January 1999 – December 1999 period?

8 A. The company estimates the revised true-up, including interest, and a
9 minor adjustment of \$64, to be an overcollection of \$115,104.

10 January 2000 – December 2000 Projection

11 Q. How did you develop your projection of SFNG's cost of gas for the
12 January 2000 – December 2000 period?

13 A. Our first step was to estimate our supply requirements for each of the
14 twelve months in the period. Our projected supply requirements are
15 based on our projected sales and company use for each month. Once we
16 develop our supply requirements, we can then determine how these
17 requirements will be met. In other words, we match our estimated
18 requirements with the gas supply that is available to us. All of our gas
19 requirements will be met utilizing firm transportation service on FGT for
20 the projected period of January 2000 – December 2000. Due to the
21 complexity of transporting on FGT's system after implementation of

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

6 Q. Please describe the general steps or mechanics of projecting the total cost
7 of gas for the January 2000 – December 2000 period.

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

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

16 The demand and commodity portions of transportation system supply are
17 shown on Schedule E-1, lines 1, 4, and 5. The commodity pipeline
18 amount (line 1) is based on FGT's current FTS commodity rate multiplied
19 by the number of therms projected to be transported for system supply.

20 The commodity other (line 4) is based on data shown on Schedule E-3
21 which details our projected direct supplier purchases for the twelve-

1 month period. We projected the "FTS" commodity cost on line 4 using
2 a combination of analyses. We analyzed the 1998 and 1999 monthly
3 prices of natural gas delivered to FGT by zone as reported in Inside
4 FERC Gas Market Report. We also reviewed the recent NYMEX
5 postings for the period November 1999 through December 2000. We
6 developed our monthly index price of gas using the above data and
7 allowing for seasonal trends and current market pricing. To this index,
8 we added compressor fuel and our supplier's estimated margin for first of
9 the month pricing and swing service.

10 The demand component of SFNG's cost of gas (line 5) for the months of
11 January 2000 - December 2000 is calculated by multiplying SFNG's
12 contract level for capacity with FGT by FGT's current FTS demand rate.

13 Q. Based on the projected total cost of gas and projected sales, what is the
14 weighted average cost per therm for the twelve-month period ended
15 December 2000?

16 A. This figure is shown on Schedule E-1, line 40, and is 36.080 cents per
17 therm. To arrive at the total PGA factor, the 36.080 cents per therm is
18 adjusted for the estimated total true-up through December 1999 (shown
19 on Schedule E-4) and for revenue-related taxes.

20 Q. What is the projected PGA factor for the period January 2000 -
21 December 2000?

- 1 A. The projected PGA factor for the period is 31.066 cents per therm.
- 2 Q. The estimated total true-up for the twelve months ended December 1999
3 as calculated on Schedule E-4 is included in the projected PGA factor for
4 the period January 2000 – December 2000. Please explain how it was
5 calculated.
- 6 A. The final true-up amount for the period April 1998 –December 1998 is
7 added to the estimated end of period net true-up for January 1999 -
8 December 1999. The January 1999 - December 1999 estimated true-up
9 is based on eight months' actual data plus four months' projected data.
- 10 Q. What is the impact of the total true-up as of December 31, 1999 on the
11 projected PGA factor for the January 2000 - December 2000 period?
- 12 A. The projected true-up as of December 31, 1999 is an overrecovery of
13 \$142,074 (Schedule E-4). Dividing the overrecovery by the January
14 2000 - December 2000 projected therm sales of 2,748,250 results in a
15 refund of 5.170 cents per therm to be included in the proposed PGA
16 factor.
- 17 Q. What is the maximum levelized purchased gas factor (cap) that you are
18 proposing for the January 2000 – December 2000 period?
- 19 A. The maximum levelized purchased gas factor (cap) that we are proposing
20 for the period is 31.066 cents per therm.
- 21 Q. Does this conclude your testimony?

1 A. Yes, it does.