

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

)
)

DOCKET NO. 990003-GU

AMENDED
DIRECT TESTIMONY OF JAMES A. WILLIAMS

On Behalf of Florida Division
Chesapeake Utilities Corporation

Submitted for filing: October 14 1999

DOCUMENT NUMBER-DATE

12709 OCT 18 88

FPSC-RECORDS/REPORTING

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

2 A. My name is James A. Williams. I am Accounting and Rates Manager of the
3 Florida Division of Chesapeake Utilities Corporation. My business address is
4 1015 6th Street, N. W., Winter Haven, Florida 33881.

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

7 A. I have a Bachelor of Science Degree in Parks & Recreation from West Virginia
8 University, Morgantown, West Virginia, with additional course work in business
9 law, accounting, and management. I am also a licensed Certified Public
10 Accountant in West Virginia but am inactive at this time. I was employed by
11 Chesapeake Utilities Corporation in April of 1999 as an Accounting and Rates
12 Manager.

13 Q. What is the purpose of your testimony?

14 A. The purposes of my testimony are to discuss the final true-up for April 1998 to
15 December 1998 and to discuss the Florida Division's calculation of its levelized
16 purchased gas cost factors for the twelve-month period January 2000 through
17 December 2000.

18 Exhibits

19 Q. Would you please identify the Exhibits which you are sponsoring with this
20 testimony?

21 A. Yes. As Amended Exhibit JAW-1, I am sponsoring the following schedule with
22 respect to the final true-up for the period April 1998 through December 1998:
23 A-7 Final Fuel Over/underrecovery – April 1998 through December 1998.

24 As Amended Composite Exhibit JAW-2, I am sponsoring the following
25 schedules with respect to the January 2000 through December 2000 levelized

1 purchased gas cost factor projection.

2 E-1 - PGA Calculation, Original Estimate for the Projected Period
3 January 2000 - December 2000. (Total Company)

4 E-1 - PGA Calculation, Original Estimate for the Projected Period
5 January 2000 - December 2000 (Allocated Firm)

6 E-1 - PGA Calculation, Original Estimate for the Projected Period
7 January 2000 - December 2000 (Allocated Interruptible)

8 E-1/R - PGA Calculation, Revised Estimate for the Period January 1999
9 - December 1999 (Total Company)

10 E-1/R - PGA Calculation, Revised Estimate for the Period January 1999
11 - December 1999 (Allocated Firm)

12 E-1/R - PGA Calculation, Revised Estimate for the Period January 1999
13 - December 1999 (Allocated Interruptible)

14 E-2 - Calculation of True-up Amount for the Current Period January
15 1999 - December 1999

16 E-3 - Transportation Purchases for the Projected Period January 2000 -
17 December 2000

18 E-4 - Calculation of True-up Amount, Projected Period January 2000 -
19 December 2000

20 E-5 - Therm Sales and Customer Data for the Projected Period January
21 2000 - December 2000

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

23 A. Yes, they were.

24 Final True-Up April 1998 - December 1998

25 Q. What were total therm sales for the period April 1998 through December

- 1 1998?
- 2 A. Total therm sales subject to the PGA were 18,209,275 therms.
- 3 Q. What were total therm purchases for the period April 1998 through December
- 4 1998?
- 5 A. Total therm purchases were 17,225,966 therms.
- 6 Q. What was the cost of gas to be recovered through the PGA for the period
- 7 April 1998 through December 1998?
- 8 A. The cost of gas purchased for the period was \$5,639,359.
- 9 Q. What was the amount of gas revenue collected for the period April 1998
- 10 through December 1998?
- 11 A. The amount of gas revenue collected to cover the cost of gas was \$5,638,663.
- 12 Q. What is the total true-up provision for the period April 1998 through
- 13 December 1998?
- 14 A. The total true-up provision, including interest, is an overrecovery of \$28,243
- 15 for the period.
- 16 Q. What is the amount of estimated true-up included for April 1998 through
- 17 December 1998 in the January 1999 through December 1999 PGA factor
- 18 calculation?
- 19 A. The amount of estimated true-up for the period April 1998 through December
- 20 1998 included in the January 1999 through December 1999 PGA factor
- 21 calculation was an overrecovery of \$49,320.
- 22 Q. What is the final over/underrecovery for the April 1998 through December
- 23 1998 period to be included in the January 1999 through December 1999
- 24 projection?
- 25 A. The final underrecovery for the April 1998 through December 1998 period to

1 be included in the January 2000 through December 2000 projection is \$21,097.

2 Revised Estimate January 1999 - December 1999

3 Q. What is the revised estimate of total purchased gas costs for the period January
4 1999 - December 1999?

5 A. The revised projection of purchased gas cost for the current period is \$9,133,127.

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

8 A. As shown on Schedule E-2, the company estimates the total gas revenue to be
9 collected during the period to be \$9,299,390. This amount includes a collection
10 of prior period undercollections in the amount of \$73,075. Therefore, the
11 revenue collected to cover the current period's gas cost is estimated to be
12 \$9,226,315.

13 Q. What is the revised true-up amount, including interest, estimated for the January
14 1999 – December 1999 period?

15 A. The company estimates the revised true-up, including interest, and a minor
16 adjustment carryover of \$302 to be an overcollection of \$94,883.

17 January 2000 – December 2000 Projection

18 Q. How did you develop your projection of the Florida Division's cost of gas for the
19 January 2000 – December 2000 period?

20 A. Our first step was to estimate our supply requirements for each of the twelve
21 months in the period. Our projected supply requirements are based on our
22 projected sales and company use for each month. Once we develop our supply
23 requirements, we can then determine how these requirements will be met. In
24 other words, we match our estimated requirements with the gas supply that is
25 available to us. All of our gas requirements will be met utilizing our "FTS" (firm

1 transportation service) contract entitlement for the projected period of January
2 2000 – December 2000.

3 Q. Please describe the general steps for mechanics of projecting the total cost of gas
4 for the January 2000 – December 2000 period.

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

10 The demand component of “NNTS” and “FTS” services (lines 2 and 5)
11 is based on the Florida Division’s contract levels with FGT and an estimation of
12 FGT’s demand rates for these two services. The demand rates utilized for
13 NNTS, FTS-1, and FTS-2 service for the period are the current rates in effect.

14 During the period of January 2000 – December 2000, our “FTS” contract
15 entitlement exceeds our monthly gas requirements. Therefore, we will be paying
16 demand charges in excess of the volumes actually transported for system supply.
17 Whenever possible, the Florida Division will relinquish excess capacity in order
18 to lower its gas cost to its ratepayers.

19 The commodity portions of transportation system supply are shown on
20 Schedule E-1, lines 1 and 4. The commodity pipeline amount (line 1) is based on
21 FGT’s “FTS” commodity rate multiplied by the number of therms transported for
22 system supply. The commodity rate utilized for the period is the current rate in
23 effect.

24 The commodity other (line 4) is based on data shown on Schedule E-3
25 which details our projected direct supplier and/or producer purchases for the

1 twelve-month period. We projected the "FTS" commodity cost on line 4 using
2 a combination of analyses. We analyzed the 1998 and 1999 monthly prices of
3 natural gas delivered to FGT by zone as reported in Inside FERC Gas Market
4 Report. We also reviewed the recent NYMEX postings for the period November
5 1999 through December 2000. We developed our monthly index price of gas
6 using the above data and allowing for seasonal trends and current market pricing.

7 To this average, we added our suppliers' estimated margin and compressor fuel.

8 Q. How did you project total firm and interruptible sales?

9 A. Firm sales were projected based on historical averages in each firm rate class.
10 The interruptible sales projection was based on a combination of a survey method
11 (i.e., talking with the customer), historical consumption and management
12 judgment. These projected therm sales are found on Schedule E-1, line 27.

13 Company use volumes are shown on line 26.

14 Q. How did you project company use volumes?

15 A. Company use volumes were estimated based on our current level of compressed
16 natural gas usage by company vehicles.

17 Q. Based on the projected total cost of gas and projected sales, what is the system-
18 wide average cost per therm for the twelve-month period ended December 2000?

19 A. This figure is shown on Schedule E-1 (Total Company), line 40, and is 39.490
20 cents per therm. To arrive at the total PGA factor, the 39.490 cents per therm
21 is adjusted for the estimated total true-up through December 1999 (shown on
22 Schedule E-4) and for revenue-related taxes.

23 Q. What is the system-wide projected PGA factor for the period January 2000 –
24 December 2000?

25 A. The projected system-wide PGA factor for the period is 39.374 cents per therm.

1 Q. The estimated total true-up for the twelve months ended December 1999 as
2 calculated on Schedule E-4 is included in the projected PGA factor for the period
3 January 2000 - December 2000. Please explain how it was calculated.

4 A. The final true-up amount for the period April 1998 – December 1998 is added
5 to the estimated end of period net true-up for January 1999 - December 1999.
6 The January 1999 - December 1999 estimated true-up is based on eight months'
7 actual data plus four months' projected data.

8 Q. What is the impact of the total true-up as of December 31, 1999 on the projected
9 PGA factor for the January 2000 - December 2000 period?

10 A. The projected true-up as of December 31, 1999 is an overrecovery of \$73,806
11 (Schedule E-4). Dividing the overrecovery by the January 2000 – December
12 2000 projected therm sales of 23,543,170 results in a refund of .313 cents per
13 therm to be included in the proposed PGA factor.

14 Q. What is the maximum levelized purchased gas factor (cap) that you are proposing
15 for the January 2000 – December 2000 period?

16 A. The maximum levelized purchased gas factor (cap) that we are proposing for the
17 period is 46.424 cents per therm. This factor represents the projected firm
18 “winter” average cost of gas, plus the true-up and taxes. Allocation of demand
19 and commodity costs between firm and interruptible rate classes results in
20 projected PGA factors for the twelve-month period, including true-up and taxes,
21 of 43.175 cents per therm and 33.194 cents per therm for firm and interruptible
22 classes, respectively, for the period. However, since the Company historically
23 has experienced higher gas costs during the winter months, the Company has
24 calculated a firm “winter” average cost of gas for the months of January 2000
25 through March 2000 and October 2000 through December 2000 for the purposes

1 of establishing the maximum levelized purchased gas cost factor (cap). This
2 methodology will allow us to minimize large underrecoveries during the winter
3 months, but allow us to flex downward in the summer months in order to match
4 current market conditions and manage overrecoveries as well.

5 Q. Does this conclude your testimony?

6 A. Yes, it does.