

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010003-GU

In the Matter of

PURCHASED GAS ADJUSTMENT
(PGA) TRUE-UP.



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PROCEEDINGS: HEARING

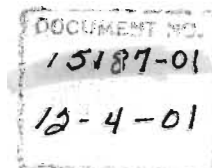
BEFORE: CHAIRMAN E. LEON JACOBS, JR.
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

DATE: Tuesday, November 20, 2001

TIME: Commenced at 9:30 a.m.
Concluded at 5:25 p.m.

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

REPORTED BY: JANE FAUROT, RPR
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5 Corporation (CUC).

6 RICHARD D. MELSON, Hopping Green Sams and
7 Smith, Post Office Box 6526, Tallahassee, Florida
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9 Florida (City Gas).

10 ANSLEY WATSON, Macfarlane, Ferguson &
11 McMullen, 2300 Park Tower, 400 North Tampa Street,
12 Tampa, Florida 33602, appearing on behalf of Peoples
13 Gas System, Inc., (Peoples).

14 ROBERT D. VANDIVER, Associate Public
15 Counsel, Office of Public Counsel, c/o The Florida
16 Legislature, 111 West Madison Street, Room 812,
17 Tallahassee, Florida 32399-1400, appearing on behalf
18 of the Citizens of the State of Florida (OPC).

19 WILLIAM COCHRAN KEATING, Florida Public
20 Service Commission, Division of Legal Services, 2540
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22 32399-0870, appearing on behalf of the Commission
23 Staff

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P R O C E E D I N G S

1
2 CHAIRMAN JACOBS: Okay. Good morning. We will go on
3 the record for today's hearing.

4 Counsel, read the notice.

5 MR. KEATING: Pursuant to notice, this time and place
6 have been set for hearing in Docket Number 010001-EI, fuel and
7 purchased power cost-recovery clause and generating performance
8 incentive factor; Docket Number 010002-EG, energy conservation
9 cost-recovery clause; Docket Number 010003-GU, purchased gas
10 adjustment PGA true-up; Docket Number 010004, natural gas
11 conservation cost recovery; and Docket Number 010007-EI,
12 environmental cost-recovery clause.

13 CHAIRMAN JACOBS: Very well. We will take
14 appearances.

15 MR. KEATING: And as we do, I would suggest that each
16 of the parties indicate which dockets they are appearing on
17 behalf of.

18 CHAIRMAN JACOBS: That would be wonderful.

19 MR. WATSON: I am Ansley Watson, Jr. of Macfarlane,
20 Ferguson and McMullen, P.O. Box 1531, Tampa, Florida, 33601,
21 appearing for Peoples Gas System in the 03 and 04 dockets.

22 MR. VANDIVER: Rob Vandiver appearing on behalf of
23 the citizens of the State of Florida. I am appearing in the 01
24 docket, the 02 docket, the 03 docket, and the 07 docket.

25 MR. McGEE: James McGee, Post Office Box 14042, St.

1 Petersburg, 33733, appearing on behalf of Florida Power
2 Corporation in the 01 fuel docket and the 02 conservation
3 docket.

4 MR. BEASLEY: I am James D. Beasley appearing with
5 Lee L. Willis, both of the law firm of Ausley and McMullen,
6 P.O. Box 391, Tallahassee, Florida 32302. We are representing
7 Tampa Electric Company in the fuel docket, the conservation
8 docket, and the environmental cost-recovery docket.

9 MR. BADDERS: Russell A. Badders appearing with
10 Jeffrey A. Stone of the law firm of Beggs and Lane, appearing
11 on behalf of Gulf Power Company in the 01, 02, and 07 dockets.

12 MR. CHILDS: Commissioners, my name is Matthew Childs
13 of the firm of Steel, Hector and Davis. I am appearing on
14 behalf of Florida Power and Light Company in the 01, 02, and 07
15 dockets.

16 MR. MELSON: Richard Melson of the law firm Hopping,
17 Green and Sams appearing on behalf of City Gas Company of
18 Florida in the 03 and 04 dockets.

19 MR. SCHIEFELBEIN: Wayne Schiefelbein appearing on
20 behalf of the Florida Division of Chesapeake Utilities
21 Corporation, appearing in the 03 and 04 dockets.

22 MR. CLOUD: Tom Cloud with Gray, Harris and
23 Robinson, appearing on behalf of Publix Supermarkets, Inc. in
24 the 01 docket.

25 MS. KAUFMAN: John McWhirter and Vicki Gordon Kaufman

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

4 CHAIRMAN JACOBS: Very well.

5 MR. KEATING: Cochran Keating appearing on behalf of
6 Commission staff in the 01 and 03 dockets.

7 MS. STERN: Marlene Stern appearing on behalf of the
8 Commission staff in the 02, 04, and 07 dockets.

9 CHAIRMAN JACOBS: Thank you. Why don't we take a
10 moment to get an agenda and get an order of proceedings for
11 today, because as I understand it we are going to go through
12 proceedings in the 03 and 04 dockets first, correct?

13 MR. KEATING: Correct. Staff would recommend that we
14 take up the 03 and the 04 dockets first and that will take care
15 of the gas companies, and then take up 02, 07, then 01, and
16 that is in increasing order of how long we expect these to
17 take.

18 CHAIRMAN JACOBS: Very well. And as I understand
19 it -- let's do the gas issues first. Are there any preliminary
20 matters in the gas dockets?

21 MR. KEATING: In the 03 docket, there are no pending
22 motions or confidentiality matters. There is one matter
23 concerning the lone issue left for resolution, Issue 6, as
24 shown in the prehearing order, and I will let the parties
25 discuss that at this point.

1 CHAIRMAN JACOBS: I understand that -- go ahead, Mr.
2 Watson.

3 MR. WATSON: Mr. Chairman, before we get to the issue
4 on which you are going to hear lengthy oral argument, our
5 witness, Peoples' witness --

6 CHAIRMAN JACOBS: Did I understand we are going to do
7 oral argument? That was not my understanding initially. I
8 thought we had a proposal that the parties were going to
9 present.

10 MR. KEATING: And I will let the parties speak to
11 this in more detail, but my understanding was there was a
12 document that was provided yesterday afternoon that I provided
13 copies to the Commissioners' offices of. It's a four-page
14 document, and my understanding was that was essentially a --
15 would be offered as a stipulated exhibit, stipulation as to the
16 facts that underlie this issue, and that the parties wished to
17 take a few minutes each to briefly argue the issue based on
18 those facts.

19 MR. WATSON: That's correct.

20 CHAIRMAN JACOBS: Is that acceptable, Commissioners?
21 Okay, proceed.

22 MR. WATSON: Mr. Chairman, before we get to that,
23 though, in the prehearing order, you will note on Page 6 that
24 W. Edward Elliott, who was Peoples' witness was not excused
25 from this hearing. He is nevertheless not here, and we would

1 ask that his testimony be inserted into the record as though
2 read and that his exhibits be admitted.

3 CHAIRMAN JACOBS: Is there any objection by the
4 parties? Commissioners, do we have any questions for that
5 witness? Without objection, then, we'll approve entering Mr.
6 Elliott's testimony into the record as though read. We can do
7 that at this time or we can do it in sequence, it doesn't
8 matter.

9 MR. VANDIVER: Commissioners, we just have a very
10 brief oral argument. We disagree on Issue 6. We thought we
11 could briefly orally argue this. It's a fairly simple matter.
12 We provided you with a four-page exhibit on this matter. We
13 won't take very much of your time this morning.

14 CHAIRMAN JACOBS: Now, I assume this is under the
15 scenario that we would do a bench vote on Issue 6 today, is
16 that correct? Because otherwise I would assume this would be
17 done --

18 MR. KEATING: Yes. Staff is prepared to give an oral
19 recommendation after the argument if the Commission wishes to
20 take a bench vote on the issue.

21 CHAIRMAN JACOBS: It is your recommendation that we
22 go ahead and hear the argument in anticipation of a bench vote
23 today?

24 MR. KEATING: Yes.

25 MR. VANDIVER: That is what the parties had

1 anticipated, as well, Commissioner.

2 CHAIRMAN JACOBS: Very well. Before we move to your
3 argument on that issue, and I assume it is just Public Counsel
4 and Peoples that are going to make argument? Is there any
5 other party? Okay. There are no preliminary matters other
6 than this, correct?

7 MR. KEATING: None that I am aware of.

8 CHAIRMAN JACOBS: Very well. You can proceed.

9 MR. VANDIVER: Thank you, Commissioners. I'm Rob
10 Vandiver with the Office of Public Counsel. Commissioners, we
11 have these research and development expenses and the citizens
12 view these as expenses in transition. The FERC in a settlement
13 agreement in 1998 ruled that these charges would go out of the
14 automatic recovery mechanism in the PGA and move to another
15 cost-recovery mechanism.

16 And if I could, I would like to direct your attention
17 to Mr. Elliott's testimony. It's on Page 2 of the exhibit that
18 we prepared for you all yesterday. And Mr. Elliott's testimony
19 consists of one page, and in this testimony Mr. Elliott walks
20 through these R&D expenses. And you can see there that Mr.
21 Elliott walks through these GRI, Gas Research Institute
22 charges.

23 And, frankly, the citizens don't dispute Mr.
24 Elliott's testimony. We would, however, point out that Mr.
25 Elliott references consumers at two points in his testimony, at

1 Line 8 and Line 17. And, again, I don't dispute Mr. Elliott's
2 testimony at all, but what I would like for you to do is put
3 "and stockholders" after consumers, because our point of view
4 is this, is that these are indeed projects that are funded --
5 benefit the stockholders certainly as much as they benefit
6 consumers. They are twofers.

7 Each of these projects, worthwhile as they may be,
8 certainly benefit the stockholders every bit as much as they
9 benefit consumers, yet we have a situation where these are
10 passed through the PGA and the customers are paying 100 percent
11 of the freight. And that is the gist of the Public Counsel's
12 point here is we don't think it's proper for the customers to
13 pay 100 percent of the bill that the stockholders are
14 benefiting at least at much as the consumers are.

15 If I were a stockholder, I would love each and every
16 one of the projects that the Gas Research Institute is doing
17 here. That is particularly true when Peoples Gas has chosen to
18 make these payments and the customers have no choice. They are
19 compelled to make these payments every time they pay a gas
20 bill. I would also note that of all the gas companies before
21 you today, only Peoples Gas is seeking recovery of these
22 expenses.

23 I would like to go just briefly to the NARUC
24 resolution. I would note right up front that two of the
25 Commissioners, Chairman Jacobs and Commissioner Deason, voted

1 this resolution out of the executive committee at NARUC in
2 1999. But the second bullet point further up there, right near
3 the top of the page, recognition that GRI's research program
4 delivers timely benefits to the gas industry and its customers.
5 And, again, that underscores the point that I made earlier,
6 that these GRI projects benefit both customers and the
7 industry. I think that is just kind of self-evident.

8 I'm not exactly sure what the NARUC executive
9 committee had in mind when it passed this resolution, but I
10 would submit to you that this resolution went to recovery in
11 base rates and not to recovery through the PGA clause. And if
12 you look down at the very bottom of this resolution, the last
13 whereas clause at the bottom of the page, it says, "Whereas,
14 consistent with the 1998 FERC S&A --" which is settlement and
15 agreement -- "funding of R&D should not be mandatory. Now,
16 therefore, be it --" and, again, this underscores our point
17 that consumers shouldn't be compelled to make these payments.

18 We ought to look at this in rate cases. And we will
19 fight about that another day, but customers on -- on the hook
20 for \$166,000. This was passed through last year's fuel clause.
21 It wasn't highlighted as a separate issue for you all. That
22 was kind of before my time, I don't want to argue that point.
23 But, for all of these reasons, I think the Commission should
24 disallow recovery of these voluntary payments that Peoples has
25 chosen to make and consumers are compelled to pay. Thank you

1 very much. I would be happy to answer any questions.

2 CHAIRMAN JACOBS: Thank you. Mr. Watson.

3 MR. WATSON: Mr. Chairman, Commissioners, the fact
4 that these payments to GRI were made voluntarily seems to me to
5 be somewhat irrelevant in the overall scheme of things.
6 Businesses, including regulated utilities, make voluntary
7 payments all the time for any number of items; equipment,
8 research projects, consultants, et cetera, in an effort to
9 operate their businesses more efficiently and at lower costs.
10 Those lower costs can benefit not only the customers, but
11 indirectly the company and ultimately its stockholders.

12 These expenses are generally recoverable from the
13 customers of the utility or other business notwithstanding
14 there may be benefits not only for the consumers, but also
15 either directly or indirectly for the shareholders of the
16 company. Payments to GRI for funding of its research and
17 development projects are thus unlike country club dues, chamber
18 of commerce dues, and charitable contributions which are
19 generally required to be borne by the company's shareholders
20 rather than by its customers.

21 Through Mr. Elliott's testimony, and what you see in
22 your little package here, the excerpt from Ed Elliott's
23 testimony has been in the testimony filed in this docket in
24 1999, 2000, and now 2001. So there is at less an argument that
25 the Commission has been on notice since 1999 that Peoples

1 intended to continue to charge the PGA for the voluntary
2 payments to GRI, which it indicated would be at 1998 levels,
3 the last year that the full amount of GRI funding was FERC
4 supervised and regulated.

5 The Commission approved Peoples true-up for 1999 last
6 year, at this same hearing last year, with the voluntary GRI
7 payments included. There had been an audit of that true-up and
8 there was an order approving the true-up for that year. It was
9 not a projection, but actual numbers. At the same time,
10 Peoples advised the Commission again in its testimony for 2000
11 that it would continue making the voluntary payments to GRI at
12 the 1998 levels in 2000. Again, no issue was raised. This
13 hearing today is the first time this issue has been raised by
14 the staff or the citizens.

15 Peoples is willing to forego and has indicated in its
16 position that we will forego recovery through the PGA of any
17 voluntary GRI payments for 2001, we will do so for 2002, and we
18 will continue to do so until such time as we come in for
19 general rate relief. If we make any payments, they will be
20 just charged as a nonfuel O&M expense. There will be nothing
21 in the PGA numbers for 2001, 2002, and thereafter for the
22 voluntary piece. What is at issue is the year --

23 COMMISSIONER JABER: Mr. Watson, may I try to
24 understand what you just said. You are willing to forego the
25 expenses for this year and next year and will not seek expenses

1 until a future rate proceeding?

2 MR. WATSON: That is correct. In other words, if
3 there is a voluntary payment to GRI in the test year for a rate
4 case, we could argue about whether the amount was prudent,
5 whether the expenses recoverable at all. We are not trying to
6 prejudge or prejudice any position the Commission, its staff,
7 or Public Counsel may take at that time.

8 COMMISSIONER JABER: So basically you are agreeing
9 now today with staff's position?

10 MR. WATSON: We go a little beyond staff's position.
11 Staff says starting in 2001 they should be charged to nonfuel
12 O&M and not recovered through the PGA. We agree with that
13 piece of it, but we say for 2000, the money that we have
14 already spent should be recoverable through the PGA. As a
15 matter of fact, it has already been recovered. There is an
16 over or underrecovery to which that expense contributed.

17 COMMISSIONER PALECKI: Is the reason that you are
18 making that policy decision because going out into the future
19 you can make a decision whether or not to continue making the
20 voluntary payments, but for this past year you have already
21 made them, and made an assumption that you could run them
22 through the clause?

23 MR. WATSON: That is correct, Commissioner Palecki.
24 Because for 2000, we made the payments only after there was no
25 question raised by the Commission or the staff with respect to

1 that item of expense. We believe they were prudent
2 expenditures. We believe we acted in good faith in making
3 them, because the Commission had already approved them in
4 approving the true-up for the prior year.

5 I think really the only reason this issue has arisen
6 now in this particular docket is because Peoples and other gas
7 utilities began converting. I think we were the first in
8 November of 2000, to where our commercial customers, at least,
9 could transport their gas rather than buying the gas from the
10 company. Once these customers began to transport, they no
11 longer pay the purchased gas adjustment. So I think staff
12 rightly queried whether the PGA was the place to recover those
13 payments; that is, whether it would not be more appropriate to
14 recover them through base rates.

15 COMMISSIONER PALECKI: Mr. Watson, do some of the
16 programs that are sponsored by GRI, such as desiccant
17 dehumidification and natural gas chiller programs, are not
18 those programs that would pass the RIM test; and, if so,
19 wouldn't they be appropriately recovered through the
20 conservation docket?

21 MR. WATSON: I think some of those programs probably
22 would pass the RIM test. In fact, if you -- we didn't want to
23 get into it today, but just to follow up on your question, in a
24 filing made with FERC, and I think the number is correct, of
25 the numerous programs that GRI put in place, or the results of

1 which saw desiccant cooling, et cetera, go into place between
2 1996 and 2000, I think the cost/benefit ratio was in excess of
3 9 for those programs. So, yes, some of those individual
4 programs might pass the RIM and the participant test for a gas
5 conservation program in Florida.

6 COMMISSIONER PALECKI: But some of the programs such
7 as the education programs and the research programs, there is
8 no real way you could do a RIM test on that sort of program, so
9 those could not --

10 MR. WATSON: That is probably correct.

11 COMMISSIONER PALECKI: They couldn't be run as
12 conservation programs since they are more in lines of training
13 and research.

14 MR. WATSON: That is probably correct.

15 COMMISSIONER PALECKI: Thank you.

16 CHAIRMAN JACOBS: Recovery under the conservation
17 would also hinge upon you actually implementing programs using
18 those technologies, correct?

19 MR. WATSON: I didn't understand your question.

20 CHAIRMAN JACOBS: If you were to choose to recover
21 your expenditures pursuant to the conservation clause, you
22 would have to implement a program using those technologies that
23 came out of the research.

24 MR. WATSON: Right. We would have to file and get
25 this Commission's approval to implement such a program before

1 we were permitted to recover any costs like that.

2 CHAIRMAN JACOBS: Do we get some indications, some
3 quantification of the extent to which research developed at GRI
4 results in actually applied programs in the industry? Does
5 that kind of report come to us?

6 MR. WATSON: I can't answer that, I don't know. I
7 have the report that was filed earlier this year with FERC,
8 because FERC is continuing to monitor this. The greater
9 portion of GRI funding is still collected by the pipelines
10 through both capacity and throughput-related surcharges on
11 every, you know, MMBTU of gas that flows through the pipelines.
12 But after 2004 it will convert to 100 percent voluntary
13 funding.

14 What we have at issue here in the 2000 true-up for
15 Peoples is \$166,400. The year before that it was 94,000 and
16 change. If we were seeking to recover the voluntary payment to
17 maintain the funding at '98 levels, it would have been 339,000
18 for 2001, and 379,000 for 2002. So you can see that the
19 voluntary piece is increasing and the mandatory portion that is
20 collected by the pipelines that is embedded in their rates for
21 transportation is decreasing.

22 Our only point here is that we relied on the
23 Commission's not questioning that expense in '99 before we made
24 the payment for 2000. We can choose now not to make the
25 payments for 2001 and 2002. We don't any longer have that

1 option with 2000 because the money has been spent, and we
2 believe it was spent in good faith. That's all I've got.

3 COMMISSIONER PALECKI: Has the company made that
4 decision not to make the voluntary contribution in 2001 and
5 2002?

6 MR. WATSON: I don't think that decision has been
7 made yet, but if the payment is made, it will not be charged to
8 the purchased gas adjustment.

9 COMMISSIONER PALECKI: I hope that that is not the
10 decision the company makes. And I think that the company
11 itself can do the math and figure out that some of the benefits
12 that the gas industry in Florida has obtained through GRI have
13 benefitted the companies and their ratepayers, especially
14 desiccant dehumidification programs, which have done a
15 tremendous amount of good in this humid state that we are in.
16 I know that the company I worked for was very active in that
17 program, and I know that Peoples Gas is also. I think there is
18 a lot of benefit that the companies have gained, and I hope
19 just because it is now a voluntary contribution rather than
20 mandatory the company does not cease to continue to contribute
21 to the GRI.

22 MR. WATSON: I will pass that on.

23 COMMISSIONER PALECKI: Thank you.

24 CHAIRMAN JACOBS: Staff, do you have anything to add?

25 MR. KEATING: No. After the testimony and exhibits

1 have been moved into the record, I believe when we get to Issue
2 6 we will have a recommendation on that.

3 CHAIRMAN JACOBS: Very well. Now, before we begin
4 testimony in the gas, why don't we go ahead and see if there
5 are any preliminary matters that we need to deal with on the
6 electric side.

7 MR. KEATING: In what?

8 CHAIRMAN JACOBS: Are there any preliminary matters
9 to deal with on the electric side?

10 MR. KEATING: I think it would -- it may be easier if
11 we brought it them up as those dockets came up to avoid
12 confusion. We may be overlapping into covering different
13 dockets at the same time, and it could lead to a lot of
14 confusion, because there are so many different bits and pieces
15 in these five dockets.

16 CHAIRMAN JACOBS: I'm okay with that, Commissioners.
17 You're okay with that?

18 COMMISSIONER JABER: Yes.

19 CHAIRMAN JACOBS: It was my understanding that there
20 was one matter for which there was some discussion about
21 whether or not we needed to open a separate docket, but we can
22 do it at that time when we reach that issue.

23 COMMISSIONER JABER: Mr. Chairman, at the prehearing
24 conference the parties expressed an interest in handling 3 and
25 4 first so that the gas companies could leave. And I think

1 based on staff's advice and my agreement, I indicated to the
2 parties that that is probably the way we would handle it.

3 CHAIRMAN JACOBS: And I am in agreement with that.
4 My thought was that if we were going to take care of any
5 pending matters now, we would want to do them all at once. I
6 did agree, as well, that we would do those two dockets
7 initially so that any experts or attorneys could leave.

8 If that takes care of all the preliminary matters,
9 then what we will do now is we will go ahead and swear the
10 witnesses and we can begin.

11 MR. KEATING: Okay. I believe in the 03 docket that
12 all the witnesses' testimony goes to stipulated issues at this
13 point, and that the witnesses that are listed on Pages 5 and 6
14 of the prehearing order for that docket could have their
15 testimony moved into the record as though read.

16 CHAIRMAN JACOBS: Oh, that's right, Mr. Elliott was
17 the one -- was the one that we had --

18 MR. KEATING: Yes. Mr. Elliott was the lone witness
19 that not marked as an excused witness in the prehearing order.
20 Given the agreement by the parties that the stipulation to the
21 four-page document is factual background for that issue, I
22 think there is an understanding that there is no questions for
23 Mr. Elliott.

24 CHAIRMAN JACOBS: Very well. Let's go through this
25 list, then.

1 MR. KEATING: Staff would recommend that the prefiled
2 testimony of James --

3 CHAIRMAN JACOBS: We can let each party just present
4 their own witnesses if that is okay.

5 MR. KEATING: That would be fine. Let me, I guess,
6 provide one bit of -- one note of caution. In the rulings in
7 this prehearing order, the parties whose witnesses were excused
8 and whose issues were entirely stipulated are excused from --
9 were excused from this hearing. What I have done in the past
10 or what we have done in the past is to -- at least for those
11 parties, I want to make sure that we get their testimony and
12 exhibits moved into the record. We could go ahead and allow
13 the parties that are present to move their own witnesses and
14 exhibits in, and then I could go back to the others.

15 CHAIRMAN JACOBS: Sounds fine. That works. Mr.
16 Schiefelbein.

17 MR. SCHIEFELBEIN: A point of clarification. Are we
18 doing the testimony alone and then we will move on to the
19 exhibits?

20 CHAIRMAN JACOBS: No, I would like to do both at the
21 same time.

22 MR. SCHIEFELBEIN: Okay, thanks.

23 CHAIRMAN JACOBS: Testimony and exhibits at the same
24 time.

25 MR. SCHIEFELBEIN: All right. On behalf of the

1 Florida Division of Chesapeake Utilities Corporation, we would
2 ask that the prefiled direct testimony of James A. Williams and
3 the two exhibits that he sponsors --

4 CHAIRMAN JACOBS: Give us the docket.

5 MR. SCHIEFELBEIN: I'm sorry?

6 CHAIRMAN JACOBS: The docket. We are working on
7 docket 4 or 3?

8 MR. SCHIEFELBEIN: 03.

9 CHAIRMAN JACOBS: 03.

10 MR. SCHIEFELBEIN: Uh-huh. That his exhibits that
11 are identified on Page 8 of the prehearing order as Exhibits
12 JAW-1 and JAW-2, that that testimony be inserted into the
13 record as though read and that those exhibits be admitted into
14 evidence.

15 CHAIRMAN JACOBS: Without objection, show the
16 prefiled direct testimony of Mr. Williams entered into the
17 record as though read and show we mark Exhibits JAW-1 and JAW-2
18 as Composite Exhibit 1. And without objection, show Composite
19 Exhibit 1 is admitted into the record.

20 MR. SCHIEFELBEIN: Thank you.

21 (Composite Exhibit 1 marked for identification and
22 admitted into the record.)

23

24

25

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 Florida
3 Division of Chesapeake Utilities Corporation (the Company). My business address is 1015
4 6th Street, N. W., Winter Haven, Florida 33881.

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

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

11 Q. What is the purpose of your testimony?

12 A. The purpose of my testimony is to discuss the final true-up for the period January 2000
13 through December 2000.

14 Exhibits

15 Q. Would you please identify the Exhibit which you are sponsoring with this testimony?

16 A. Yes. As Exhibit JAW-1, I am sponsoring the following schedule with respect to the final
17 true-up for the period January 2000 through December 2000:

18 A-7 - Final Fuel Over/Under Recovery – January 2000 through December 2000.

19 Q. Was this schedule prepared under your direction and supervision?

20 A. Yes, it was.

21 Final True-Up January 2000 - December 2000

22 Q. What were total therm sales for the period January 2000 through December 2000?

23 A. Total therm sales subject to the PGA were 20,819,515 therms.

24 Q. What were total therm purchases for the period January 2000 through December 2000?

25 A. Total therm purchases were 22,619,517 therms.

- 1 Q. What was the cost of gas to be recovered through the PGA for the period January 2000
2 through December 2000?
- 3 A. The cost of gas purchased for the period was \$11,897,262.
- 4 Q. What was the amount of gas revenue collected for the period January 2000 through
5 December 2000?
- 6 A. The amount of gas revenue collected to cover the cost of gas was \$9,693,178.
- 7 Q. What is the total true-up provision for the period January 2000 through December 2000?
- 8 A. The total true-up provision, including interest, is an underrecovery of \$2,254,634 for the
9 period.
- 10 Q. What is the amount of estimated true-up included for January 2000 through December 2000
11 in the January 2001 through December 2001 PGA factor calculation?
- 12 A. The amount of estimated true-up for the period January 2000 through December 2000
13 included in the January 2001 through December 2001 PGA factor calculation was an
14 underrecovery of \$890,959.
- 15 Q. What is the final over/underrecovery for the January 2000 through December 2000 period to
16 be included in the January 2001 through December 2001 projection?
- 17 A. The final underrecovery for the January 2000 through December 2000 period to be included
18 in the January 2001 through December 2001 projection is \$1,363,675.
- 19 Q. Does this conclude your testimony?
- 20 A. Yes, it does.

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

2 A. My name is James A. Williams. I am the Finance Manager of the Florida
3 Division of Chesapeake Utilities Corporation. My business address is 1015 6th
4 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 first employed
11 by Chesapeake Utilities Corporation in April of 1999 as an Accounting and
12 Rates Manager.

13 Q. What is the purpose of your testimony?

14 A. The purposes of my testimony are to discuss the final Purchased Gas Adjustment
15 (PGA) True-Up for January 2000 to December 2000 and to discuss the Florida
16 Division's calculation of its levelized purchased gas cost factor for the twelve-
17 month period January 2002 through December 2002.

18 Exhibits

19 Q. Would you please identify the Exhibit that you are sponsoring with this
20 testimony?

21 A. As Composite Exhibit JAW-2, I am sponsoring the following schedules with
22 respect to the January 2002 through December 2002 levelized purchased gas cost
23 factor projection.

24 E-1 - PGA Calculation, Original Estimate for the Projected Period
25 January 2002 - December 2002. (Total Company)

1 E-1/R - PGA Calculation, Revised Estimate for the Period January 2001

2 – December 2001 (Total Company)

3 E-2 - Calculation of True-up Amount for the Current Period January

4 2001 - December 2001

5 E-3 – Sales Gas Purchases for the Projected Period January 2002 –

6 December 2002

7 E-4 - Calculation of True-up Amount, Projected Period January 2002 –

8 December 2002

9 E-5 - Therm Sales and Customer Data for the Projected Period January

10 2002 – December 2002

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

12 A. Yes, they were.

13 Final True-Up January 2000 – December 2000

14 Q. What were total therm sales subject to the PGA for the period January 2000

15 through December 2000?

16 A. Total therm sales subject to the PGA were 20,819,515 therms.

17 Q. What were total therm purchases subject to the PGA for the period January

18 2000 through December 2000?

19 A. Total therm purchases subject to the PGA were 22,619,517 therms.

20 Q. What was the cost of gas to be recovered through the PGA for the period

21 January 2000 through December 2000?

22 A. The cost of gas purchased for the period to be recovered through the PGA

23 was \$11,897,262.

24 Q. What was the amount of gas revenue collected through the PGA for the

25 period January 2000 through December 2000?

1 A. The amount of gas revenue collected through the PGA was \$9,693,178.

2 Q. What is the total true-up provision for the period January 2000 through
3 December 2000?

4 A. The total true-up provision, including interest, is an underrecovery of
5 \$2,254,634 for the period.

6 Q. What is the amount of estimated true-up included for January 2000 through
7 December 2000 in the January 2001 through December 2001 PGA factor
8 calculation?

9 A. The amount of estimated true-up for the period January 2000 through
10 December 2000 included in the January 2001 through December 2001 PGA
11 factor calculation was an underrecovery of \$890,959.

12 Q. What is the final over/underrecovery for the January 2000 through December
13 2000 period to be included in the January 2001 through December 2001
14 projection?

15 A. The final underrecovery for the January 2000 through December 2000 period
16 to be included in the January 2001 through December 2001 projection is
17 \$1,363,675.

18 Revised Estimate January 2001 - December 2001

19 Q. What is the revised estimate of total purchased gas costs to be recovered through
20 the PGA for the period January 2001 - December 2001?

21 A. The revised projection of purchased gas costs to be recovered through the PGA
22 for the current period is \$8,505,691.

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

25 A. As shown on Schedule E-2, the Company estimates the total gas revenue to be

1 collected through the PGA during the period to be \$8,412,653. This amount
2 includes a collection of prior period undercollections in the amount of \$917,676.
3 Therefore, the revenue collected to cover the current period's gas cost is
4 estimated to be \$7,494,977.

5 Q. Has the PGA True-Up for the current period been adjusted for revenue collected
6 during the January 2001 through December 2001 period under the PGA
7 Transition Cost Recovery mechanism approved in Florida Public Service
8 Commission Order No. PSC-01-0304-TRF-GU (February 5, 2001)?

9 A. Yes, the current period True-up has been adjusted in the amount of \$950,604 to
10 reflect the PGA Transition Cost Recovery estimated to be collected during the
11 current period of January 2001 through December 2001.

12 Q. What is the revised true-up amount, including interest, estimated for the January
13 2001 – December 2001 period?

14 A. The Company estimates the revised true-up, including interest, and net of a PGA
15 Audit adjustment of \$7,221 and the Transition Cost Recovery collection of
16 \$950,604, to be an undercollection of \$156,863.

17 January 2002 – December 2002 Projection

18 Q. How did you develop your projection of the Florida Division's cost of gas for
19 the January 2002 – December 2002 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 for each month. Once we develop our supply requirements, we
23 can then determine how these requirements will be met. In other words, we
24 match our estimated requirements with the gas supply that is available to us. All
25 of our gas requirements will be met utilizing our "FTS" (firm transportation

1 service) contract entitlement for the projected period of January 2002 –
2 December 2002.

3 Q. Please describe the general steps for the mechanics of projecting the total cost of
4 gas to be recovered through the PGA for the January 2002 – December 2002
5 period.

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

11 The demand component of “NNTS” and “FTS” services (lines 2 and 5) is
12 based on the Florida Division’s contract levels with FGT and an estimation of
13 FGT’s demand rates for these two services. The demand rates utilized for
14 NNTS, FTS-1, and FTS-2 service for the period are the current rates in effect.
15 During the period of January 2002 – December 2002, our “FTS” contract
16 entitlement exceeds our monthly gas requirements. Therefore, we will be paying
17 demand charges in excess of the volumes actually transported for system supply.
18 Whenever possible, the Florida Division will relinquish excess capacity in order
19 to lower its gas cost to its ratepayers.

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

25 The commodity other (line 4) is based on data shown on Schedule E-3,

1 which details our projected direct supplier and/or producer purchases for the
2 twelve-month period. We projected the “FTS” commodity cost on line 4 using
3 a combination of analyses. We analyzed the 2000 and 2001 monthly prices of
4 natural gas delivered to FGT by zone as reported in Inside FERC Gas Market
5 Report. We also reviewed the recent NYMEX postings for the period October
6 2001 through December 2002. We developed our monthly index price of gas
7 using the above data and allowing for seasonal trends and current market
8 pricing. To this average, we added our suppliers’ estimated margin and
9 compressor fuel.

10 Q. How did you project total firm sales?

11 .A. Firm sales were projected based on historical data in each firm rate class. These
12 projected therm sales are found on Schedule E-1, line 27.

13 Q. Based on the projected total cost of gas and projected sales, what is the system-
14 wide average cost per therm for the twelve-month period ended December 2002?

15 A. This figure is shown on Schedule E-1 (Total Company), line 40, and is 79.088
16 cents per therm. To arrive at the total PGA factor, the 79.088 cents per therm is
17 adjusted for the estimated total true-up through December 2001 (shown on
18 Schedule E-4) and for revenue-related taxes.

19 Q. What is the system-wide projected PGA factor for the period January 2002 –
20 December 2002?

21 A. The projected system-wide PGA factor for the period is 79.088 cents per therm.

22 Q. The estimated total true-up for the twelve months ended December 2001 as
23 calculated on Schedule E-4 is included in the projected PGA factor for the
24 period January 2002 - December 2002. Please explain how it was calculated.

25 A. The final true-up amount for the period January 2000 – December 2000 is added

1 to the estimated end of period net true-up for January 2001 - December 2001.
2 The January 2001 - December 2001 estimated true-up is based on seven months'
3 actual data plus five months' projected data.

4 Q. What is the impact of the total true-up as of December 31, 2001 on the projected
5 PGA factor for the January 2002 - December 2002 period?

6 A. The projected true-up as of December 31, 2001 is an underrecovery of
7 \$1,520,538 (Schedule E-4). Dividing the underrecovery by the January 2002 –
8 December 2002 projected therm sales of 7,192,760 results in a recovery of
9 21.140 cents per therm to be included in the proposed PGA factor.

10 Q. What is the maximum levelized purchased gas factor (cap) that you are
11 proposing for the January 2002 – December 2002 period?

12 A. The maximum levelized purchased gas factor (cap) that we are proposing for the
13 period is 109.142 cents per therm. This factor represents the projected firm
14 “winter” average cost of gas, plus the true-up and taxes. Since the Company
15 historically has experienced higher gas costs during the winter months, the
16 Company has calculated a firm “winter” average cost of gas for the months of
17 January 2002 through March 2002 and October 2002 through December 2002
18 for the purposes of establishing the maximum levelized purchased gas cost
19 factor (cap). This methodology will allow us to minimize large underrecoveries
20 during the winter months, but allow us to flex downward in the summer months
21 in order to match current market conditions and manage overrecoveries as well.

22 Q. Does this conclude your testimony?

23 A. Yes, it does.

1 MR. MELSON: Mr. Chairman, NUI/City Gas Company of
2 Florida would ask that the prefiled testimony of Thomas Kaufman
3 be entered into the record as though read.

4 CHAIRMAN JACOBS: Without objection, show that the
5 testimony of Mr. Thomas Kaufman is entered into the record as
6 though read.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **PREPARED DIRECT TESTIMONY OF**
3 **THOMAS KAUFMANN**
4 **ON BEHALF OF CITY GAS COMPANY OF FLORIDA**
5 **DOCKET NO. 010003-GU**
6 **September 27, 2001**

7
8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Thomas Kaufmann. My business address is One
10 Elizabethtown Plaza, Union, New Jersey 07083.

11 **Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY.**

12 A. I am currently employed as a Manager of Rates for NUI Corporation
13 ("NUI"), and have responsibilities with NUI Utilities, Inc., d/b/a NUI City
14 Gas Company of Florida ("City Gas").

15 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS**
16 **AND BUSINESS EXPERIENCE.**

17 A. My professional responsibilities have encompassed financial
18 analysis, accounting, planning, and pricing in manufacturing and
19 energy services companies in both regulated and deregulated
20 industries. In 1977, I was employed by Allied Chemical Corp. as a
21 staff accountant. In 1980, I was employed by Celanese Corp. as a
22 financial analyst. In 1981, I was employed by Suburban Propane as
23 a Strategic Planning Analyst, promoted to Manager of Rates and

1 Pricing in 1986 and to Director of Acquisitions and Business
2 Analysis in 1990. In 1993, I was employed by Concurrent Computer
3 as a Manager, Pricing Administration. In 1996 I joined NUI as a
4 Rate Analyst, was promoted to Manager of Regulatory Support in
5 August, 1997 and Manager of Regulatory Affairs in February, 1998,
6 and named Manager of Rates in July 1998.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8 A. In June 1977, I graduated from Rutgers University, Newark, N.J.,
9 with a Bachelor of Arts degree in Business Administration, majoring
10 in accounting and economics. In July 1979, I graduated from
11 Fairleigh Dickinson University, Madison, N.J., with a Masters of
12 Business Administration, majoring in finance.

13 **Q. MR. KAUFMANN, WHAT IS THE PURPOSE OF YOUR**
14 **TESTIMONY?**

15 A. The purpose of my testimony is to present the revised estimate of
16 the Company's projection of gas costs for the period September
17 2001 through December 2001 and the Company's projection of gas
18 costs for the period January 2002 through December 2002. In
19 addition I will present the development of the maximum rate to be
20 charged to customers for the period January 2002 through
21 December 2002.

22 **Q. HAS THE COMPANY PREPARED THE FORMS AS PRESCRIBED**
23 **BY THE COMMISSION FOR THIS PURPOSE?**

1 A. Yes. The forms prescribed by the Commission are being filed at
2 this time. Copies are attached to my testimony.

3 **Q. CAN YOU EXPLAIN THE PROJECTION METHODOLOGY?**

4 A. Yes. Under this methodology, which was adopted by Order No.
5 PSC-93-0708-FOF-GU of this Commission on May 10, 1993 and
6 modified in Docket No. 980269-PU on June 10, 1998, gas
7 companies are to project their gas costs each twelve months for the
8 ensuing twelve month period ending in December. A per therm rate
9 is developed for the weighted average cost of gas (WACOG). This
10 rate, based on the average of the winter and summer seasons,
11 would lead to over or under-recoveries of gas costs in the two
12 seasons. This problem is mitigated by establishing a maximum
13 levelized purchased gas factor based on the Company's expected
14 winter cost of gas, thereby eliminating a large under-recovery in that
15 season. The Company is then able to flex downward in the summer
16 in order to match market conditions and eliminate the potential for a
17 large over-recovery for the remainder of the period.

18 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**
19 **AS PROJECTED?**

20 A. If re-projected gas costs for the remaining period exceed projected
21 recoveries by at least 10% for the twelve month period, a mid-
22 course correction may formally be requested by the Company.

1 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
2 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN**
3 **ESTIMATED AND ACTUAL COSTS?**

4 A. The forms take this into consideration. Form E-2 calculates the
5 projected differences using estimated figures, and form E-4
6 calculates the final true-up using actual figures. These differences
7 are flowed back to customers through the true-up factor included in
8 gas costs billed in the subsequent twelve month period.

9 **Q. ARE ANY FLORIDA GAS TRANSMSSION (FGT) RATE**
10 **CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**
11 **FILING?**

12 A. No.

13 **Q. DOES THE COMPANY ANTICIPATE ANY CHANGES TO THE**
14 **CAPACITY PORTFOLIO IN THE COMING YEAR?**

15 A. No.

16 **Q. CAN YOU SUMMARIZE THE CONTENTS OF THE SCHEDULES**
17 **SUBMITTED AS PART OF THIS FILING?**

18 A. Yes. For the projected period, January 2002 through December
19 2002, we estimate the gas purchases for resale will be 37,606,260
20 therms at a total cost of \$20,766,343, with a resulting WACOG of
21 55.220 cents per therm (before the application of the true-up factor
22 and the regulatory assessment fee). The difference between the
23 estimated actual and actual true-up for the prior period, January

1 2000 through December 2000, is an under-recovery of \$1,241,776,
 2 after a reduction for an audit adjustment of \$409,017 made by the
 3 Commission staff. The projected true-up for the current period,
 4 January 2001 through December 2001 is an under-recovery of
 5 \$596,710. The total true-up as shown on Schedule E-4 is an under-
 6 recovery of \$1,838,486 for a true-up factor of 4.889 cents per therm
 7 that would be applied during the projected period. This true-up
 8 factor increases the gas cost factor during the projected period to
 9 60.109 cents per therm (before the regulatory assessment fee).
 10 With the regulatory assessment fee added, the PGA factor is
 11 60.412 cents per therm based on the average of the winter and
 12 summer seasons. City Gas, however, has chosen to establish a
 13 maximum levelized purchased gas factor based on the Company's
 14 expected winter cost of gas as follows:

	<u>Winter Average</u>
15	
16	Total Cost (Line 11) \$12,442,548
17	Total Therm Sales (Line 27) 20,959,900
18	(Line 11/ Line 27) \$0.59364
19	True-up \$0.04889
20	Before Regulatory Assessment \$0.64252
21	Revenue Tax Factor 1.00503
22	Purchased Gas Factor \$0.64576

1 As shown above, the maximum levelized purchased gas factor
2 based on the Company's expected winter cost of gas is 64.252
3 cents per therm before the regulatory assessment fee and 64.576
4 cents per therm after the regulatory assessment fee. This is the
5 maximum gas cost factor that City Gas may charge its customers
6 for the period January 2002 through December 2002.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes, it does.

1 MR. MELSON: We would also ask that the prefiled
2 testimony of Thomas E. Smith be inserted into the record as
3 though read.

4 CHAIRMAN JACOBS: Without objection, show that the
5 prefiled testimony of Mr. Thomas Smith is entered into the
6 record as though.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DIRECT TESTIMONY OF

3 THOMAS E. SMITH

4 ON BEHALF OF NUI CITY GAS COMPANY OF FLORIDA

5 DOCKET NO. 010003-GU

6 APRIL 30, 2001

7

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Thomas E. Smith. My business address is NUI
10 Corporation, 550 Route 202-206, Bedminster, New Jersey
11 07921.

12

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

14 A. I am currently employed by NUI Corporation ("NUI") as Director
15 of Energy Planning. NUI City Gas Company of Florida ("City
16 Gas" or "the Company") is an operating division of NUI
17 Corporation.

18

19 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
20 **EMPLOYMENT EXPERIENCE.**

21 A. I am a licensed Professional Engineer in the State of New
22 Jersey. I received a Bachelor of Science degree in Mechanical
23 Engineering from Newark College of Engineering in 1970. In

1 1976, I received a Master of Science degree in Mechanical
2 Engineering from the New Jersey Institute of Technology,
3 formerly Newark College of Engineering. During my term of
4 employment at NUI, I have attended the Institute of Gas
5 Technology courses on Gas Distribution Engineering and
6 Economics for Managers, the American Gas Association's
7 (AGA) Rate Fundamentals course, the Center for Professional
8 Advancement's course on Rate Setting in Public Utilities and
9 numerous conferences, seminars, and symposiums on matters
10 relating to my job function. Currently, I am a member of the
11 American Society of Mechanical Engineers and from 1979 to
12 1988 I was a member of the AGA Rate Committee. I am also a
13 contributing author to the 4th Edition of the Gas Rates
14 Fundamentals book sponsored by the AGA Rate Committee and
15 published by AGA. I have been an instructor on Cost of Service
16 at the AGA Rates Fundamentals course at Madison, Wisconsin.

17

18 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my testimony is to present the comparison of
20 Actual versus Original estimate of the purchased gas adjustment
21 cost recovery factor and true-up provision for the period January
22 2000 through December 2000 for City Gas.

23

1 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED**
2 **BY THIS COMMISSION FOR THIS PURPOSE?**

3 A. Yes. The Company has prepared the form prescribed by the
4 Commission, a copy of which is attached as Schedule A-7.

5

6 **Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS**
7 **THE ACTUAL GAS COSTS ASSOCIATED WITH THE GAS**
8 **ADJUSTMENT COST RECOVERY FACTOR?**

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

14

15 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**
16 **COMPANY DURING THE TWELVE MONTHS ENDED**
17 **DECEMBER 31, 2000?**

18 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
19 twelve months ended December 31, 2000 is \$31,145,562.

20

21 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
22 **RECOVERED BY THE COMPANY DURING THE TWELVE**
23 **MONTHS ENDED DECEMBER 31, 2000?**

1 A. The Company recovered \$25,066,760.

2

3 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
4 **TWELVE MONTHS ENDED DECEMBER 31, 2000?**

5 A. The actual true-up amount, including interest, is an under-
6 recovery of (\$6,163,942).

7

8 **Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT AMOUNT**
9 **OF UNDER-RECOVERY?**

10 A. Yes. As shown on Schedule A-7, the total fuel revenues for the
11 period are \$25,066,760 and the total fuel cost is \$31,145,562.
12 The difference between the fuel cost and fuel recoveries is an
13 under-recovery of (\$6,078,802). The interest provision for the
14 period is an under-recovery of (\$85,140). The sum of these two
15 recoveries is an under-recovery of (\$6,163,942).

16

17 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
18 **JANUARY 2000 THROUGH DECEMBER 2000 PERIOD TO BE**
19 **INCLUDED IN THE 2002 PROJECTION?**

20 A. The final under-recovery for the period of January 2000 through
21 December 2000 to be included in the 2002 projection is
22 (\$1,650,794). This is the difference between the actual under-
23 recovery of (\$6,163,942) and the estimated under-recovery

1 (\$4,513,148) that is included in the current cost recovery factor
2 being collected during 2001.

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4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A. Yes.**

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1 MR. MELSON: And we would ask that the two exhibits
2 identified on Page 9 as TES-1 and TK-1 be marked as Composite
3 Exhibit 2.

4 CHAIRMAN JACOBS: Show that -- yes, show that the
5 exhibits marked TES-1 and TK-1 are marked as Composite Exhibit
6 2.

7 MR. MELSON: And I would move Exhibit 2 into the
8 record.

9 CHAIRMAN JACOBS: Without objection, show Composite
10 Exhibit 2 is admitted.

11 (Composite Exhibit 2 marked for identification and
12 admitted into the record.)

13 MR. WATSON: Mr. Chairman, we would ask that the
14 prefiled direct testimony of W. Edward Elliott on behalf of
15 Peoples Gas System be inserted into the record as though read.

16 CHAIRMAN JACOBS: Without objection, show the
17 prefiled testimony of Mr. Elliott is entered into the record as
18 though read.

19 MR. WATSON: We would ask that Mr. Elliott's Exhibits
20 WEE-1 and WEE-2 be marked for identification as Composite
21 Exhibit 3.

22 CHAIRMAN JACOBS: Show that marked as Composite
23 Exhibit 3.

24 MR. WATSON: And with that we would move the
25 admission of Composite Exhibit 3 into the record.

1 CHAIRMAN JACOBS: Without objection, show Composite
2 Exhibit 3 is admitted.

3 (Composite Exhibit 3 marked for identification and
4 admitted into the record.)

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May '01

- 1 Q. Please state your name and business address.
- 2 A. My name is W. Edward Elliott. My business address
- 3 is 702 N. Franklin Street, Tampa, Florida 33602.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am Manager of Gas Accounting for Peoples Gas
- 6 System ("Peoples").
- 7 Q. Please summarize your educational background and
- 8 professional qualifications.
- 9 A. I graduated from the University of South Florida in
- 10 1972 with the degree of Bachelor of Arts in
- 11 Accounting. I have over 13 years of experience in
- 12 the utility field.
- 13 Q. What are your primary responsibilities in your
- 14 present position with Peoples?
- 15 A. As Manager of Gas Accounting, I am responsible for
- 16 recording the Company's cost of gas.
- 17 Q. Have you previously prepared testimony in regulatory
- 18 proceedings?
- 19 A. I have filed prepared direct testimony in previous
- 20 Purchased Gas Adjustment proceedings.
- 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 sponsored the
- 24 preparation of the following schedule with respect
- 25 to the final true-up for the period January 2000

1 through December 2000:

2 A-7 -- Final fuel over/(under) recovery.

3 Q. What was Peoples' cost of gas to be recovered
4 through the PGA clause for the period January 2000
5 through December 2000?

6 A. As shown on Schedule A-7 in EE-1, the cost of gas
7 purchased, adjusted for company use,
8 was \$166,561,084.

9 Q. What was the amount of gas revenue collected for
10 the period January 2000 through December 2000?

11 A. The amount of gas revenue collected to cover the
12 cost of gas was \$149,955,771.

13 Q. What was the final true-up amount for the period
14 January 2000 through December 2000?

15 A. The final true-up amount for the period, including
16 interest, is an underrecovery of \$16,600,678.

17 Q. Is this amount net of the estimated true-up for the
18 period January 2000 through December 2000, which
19 was included in the January 2001 through December
20 2001 PGA factor calculation?

21 A. No. The final true-up net of the estimated true-up
22 for the period January 2000 through December 2000
23 is an underrecovery of \$13,661,513.

24 Q. Is this the final underrecovery amount to be
25 included in the January 2002 through December 2002

1 projection?

2 A. Yes.

3 Q. Does this conclude your testimony?

4 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

W. EDWARD ELLIOTT

Q. Please state your name and business address.

A. My name is W. Edward Elliott. My business address is 702 N. Franklin Street, P. O. Box 2562, Tampa, Florida 33601-2562.

Q. By whom are you employed and in what capacity?

A. I am Manager of Gas Accounting for Peoples Gas System. ("Peoples").

Q. Please summarize your educational background and professional qualifications.

A. I graduated from the University of South Florida in 1972 with the degree of Bachelor of Arts in Accounting. I have over 13 years of experience in the utility field.

Q. What are your primary responsibilities in your present position with Peoples?

1 A. As Manager of Gas Accounting, I am responsible for
2 recording the Company's costs for natural gas and
3 upstream pipeline capacity and preparing filings
4 associated with the recovery of these costs through the
5 Purchased Gas Adjustment ("PGA").

6
7 Q. Have you previously testified in regulatory proceedings?

8
9 A. Yes. I have submitted testimony on several occasions
10 supporting Peoples' Purchased Gas Adjustment.

11
12 Q. What is the purpose of your testimony in this docket?

13
14 A. The purpose of my testimony is to describe generally the
15 components of Peoples' cost of purchased gas and upstream
16 pipeline capacity. In my testimony, I also explain how
17 Peoples' projected weighted average cost of gas ("WACOG")
18 for the January 2002 through December 2002 period was
19 determined and the resulting requested maximum PGA
20 ("Cap").

21
22 Q. Please summarize your testimony.

23
24 A. I will address the following areas:
25

- 1 1. How Peoples will obtain its gas supplies during the
- 2 projected period.
- 3 2. Estimates and adjustments used to determine the
- 4 amount of gas to be purchased from Peoples' various
- 5 available sources of supply during the projected
- 6 period.
- 7 3. Projections and assumptions used to estimate the
- 8 purchase price to be paid by Peoples for such gas
- 9 supplies.
- 10 4. The components and assumptions used to develop
- 11 Peoples' projected WACOG.
- 12
- 13 Q. What is the appropriate final purchased gas adjustment
- 14 true-up amounts for the period January 2000 through
- 15 December 2000?
- 16
- 17 A. An underrecovery of \$13,661,513.
- 18
- 19 Q. What is the estimated purchased gas adjustment true-up
- 20 amounts for the period January 2001 through December
- 21 2001?
- 22
- 23 A. An overrecovery of \$17,264,427.
- 24
- 25 Q. What is the total purchased gas adjustment true-up amount

1 to be refunded during the period January 2002 through
2 December 2002?

3

4 A. An overrecovery of \$3,600,915.

5

6 Q. Have you prepared or caused to be prepared certain
7 schedules for use in this proceeding?

8

9 A. Yes. Composite Exhibit EE-2 was prepared by me or under
10 my supervision.

11

12 Q. Please describe how Peoples will obtain its gas supplies
13 during the projected period of January 2002 through
14 December 2002.

15

16 A. All natural gas delivered through Peoples' distribution
17 system is received through two interstate pipelines. Gas
18 is delivered through Florida Gas Transmission Company
19 ("FGT") and, in Peoples' Jacksonville Division, also
20 through Southern Natural Gas Company ("SONAT") and South
21 Georgia Natural Gas Company ("South Georgia"). Receiving
22 gas supply through multiple interstate pipelines provides
23 valuable flexibility and reliability to serve customers.
24 Peoples is assessing opportunities to increase this
25 flexibility and reliability.

1

2 Q. In general, how does Peoples determine its sources of
3 supply?

4

5 A. Peoples evaluates, selects and utilizes sources of
6 natural gas supply on the basis of its "best value" gas
7 acquisition strategy. For a source of supply to be
8 identified as a "best value," it must offer the best
9 combination of price, reliability of supply, flexibility
10 and dependable operations, consistent with Peoples'
11 obligation as a public utility to provide safe, adequate
12 and efficient service to the general public. Through a
13 competitive bidding process, Peoples has a portfolio of
14 supply sources from numerous third-party suppliers which
15 reflect a balance between cost, reliability and
16 operational flexibility.

17

18 Q. Could Peoples purchase all third party supplies in
19 advance for a long term at the lowest available fixed
20 price in order to provide increased stability to its cost
21 of gas?

22

23 A. No. Peoples' quantity requirement for system supply gas
24 varies significantly from year to year, season to season,
25 month to month, and, in particular, from day to day.

1 Often, the demand for gas on the Peoples system can vary
2 dramatically within a month from the lowest to the
3 highest requirement of its customers. In addition,
4 Peoples initiated the NaturalChoice program in November
5 2000 which allows non-residential customers to purchase
6 their natural gas supplies directly from producers and
7 marketers. Peoples anticipates that the transportation
8 throughput will continue to increase during the projected
9 period as customers transfer from sales service to
10 transportation service under the NaturalChoice program.
11 The actual take of gas out of the Peoples system by those
12 same transporting customers varies significantly from day
13 to day. Since a significant portion of the total
14 transportation volumes is received by Peoples at a
15 uniform daily rate, Peoples is forced to increase or
16 decrease the purchases of its own system supply volumes
17 by significant increments in order to maintain a balance
18 between receipts and deliveries of gas each day. As a
19 consequence, Peoples must buy a portion of its total
20 system requirements under swing contract arrangements,
21 and meet extreme variations in delivered volumes by
22 relying on swing gas, peaking gas, pipeline balancing
23 charge volumes, pipeline penalty charge volumes and
24 pipeline no notice service at the prevailing rates for
25 such services.

- 1
- 2 Q. How did Peoples estimate the amount of gas to be
- 3 purchased from various sources during the projected
- 4 period of January 2002 through December 2002?
- 5
- 6 A. Peoples' projected amount of gas to be purchased is based
- 7 upon the Company's preliminary total throughput of therms
- 8 delivered to customers projected for 2002, including both
- 9 sales of Peoples' system supply and transportation
- 10 deliveries of third party gas purchased by end-users of
- 11 Peoples. Then, the throughput is adjusted for the
- 12 anticipated level of transportation service, including
- 13 the anticipated conversions under the approved
- 14 NaturalChoice program.
- 15
- 16 Q. How are Swing Service revenues accounted for through the
- 17 PGA?
- 18
- 19 A. Customers who participate in the NaturalChoice program
- 20 pay a Swing Service Charge. The Swing Service Charge
- 21 covers costs included in the PGA for balancing the
- 22 difference between marketer-supplied gas and the
- 23 customers' actual consumption. The revenues from the
- 24 Swing Service Charge are credited to the PGA to offset
- 25 this expense.

1

2 Q. How did you estimate the purchase price to be paid by
3 Peoples for each of its available sources of gas supply?

4

5 A. The price paid for natural gas is estimated based on an
6 evaluation of published prices for the last several years
7 for spot gas delivered to the FGT and SONAT systems,
8 futures contracts as reported on the New York Mercantile
9 Exchange and industry forecasts of market prices for the
10 projection period of January 2002 through December 2002.
11 These prices are then adjusted to reflect the potential
12 for unexpected increases particularly in the monthly and
13 daily market for natural gas prices in the projection
14 period.

15

16 Q. Referring to Schedules E-3 (A) through (G) of Composite
17 Exhibit EE-2, please explain the components of these
18 schedules and the assumptions which were made in
19 developing the Company's projections.

20

21 A. Schedule E-3 (G) is a compilation of the monthly data
22 which appear on Schedules E-3 (A) through (F) for the
23 corresponding months of January 2002 through December
24 2002.

25

1 In Schedules E-3 (A) through (F), Column (A) indicates
2 the applicable month for all data on the page.

3
4 In Column (B), "FGT" indicates that the volumes are to be
5 purchased from third party suppliers for delivery via FGT
6 transportation. "MARKETER" indicates that the volumes
7 are to be purchased from a third party supplier for
8 delivery via SONAT and South Georgia. "THIRD PARTY"
9 indicates that the volumes are to be purchased directly
10 from various third party suppliers for delivery into FGT
11 or SONAT.

12
13 In Column (C), "PGS" means the purchase will be for
14 Peoples' system supply and will become part of Peoples'
15 total WACOG. None of the costs of gas or transportation
16 for end-use purchases by end-use customers of Peoples are
17 included in Peoples' WACOG.

18
19 In Column (D), purchases of pipeline transportation
20 services from FGT under Rate Schedule FTS-1 and FTS-2 are
21 split into two components, commodity (or "usage") and
22 demand (or "reservation"). Both Peoples and end-users
23 pay the usage charge based on the actual amount of gas
24 transported. The FTS-1 and FTS-2 commodity costs shown
25 include all related transportation charges including

1 usage, fuel, ACA and Gas Research Institute ("GRI")
2 charges. The FTS-1 and FTS-2 demand component is a fixed
3 charge based on the maximum daily quantity of FTS-1 and
4 FTS-2 firm transportation capacity reserved. End-users
5 reimburse Peoples or directly pay FGT for all pipeline
6 reservation charges associated with the transportation
7 capacity which Peoples reserves and uses on their behalf.
8 Similarly, the transportation rates of SONAT and South
9 Georgia also consist of two components, a usage charge
10 and a reservation charge.

11
12 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
13 (or "NNTS") means FGT's no notice service provided to
14 Peoples on a fixed charge basis for use when Peoples'
15 actual use exceeds scheduled quantities. "SWING SERVICE"
16 means the demand and commodity component of the cost of
17 third party supplies purchased to meet Peoples "swing"
18 requirements for supply which fluctuate on a day-to-day
19 basis. "COMMODITY" means third party purchases of gas
20 transported on FGT, SONAT or South Georgia, and does not
21 include any purchases of sales volumes from FGT.

22
23 Column (E) shows the monthly quantity in therms of gas
24 purchased by Peoples for each category of system supply.
25

1 Column (F) shows the gas purchased by end-users for
2 transportation.

3

4 Column (G) is the total of Columns (E) and (F) in each
5 row.

6

7 Columns (H), (I), (J) and (K) show the corresponding
8 third party supplier commodity costs, pipeline
9 transportation commodity costs, pipeline transportation
10 reservation costs, and other charges (e.g., balancing
11 charges), respectively. These costs are determined using
12 the actual amounts paid by Peoples. In the case of end-
13 user transportation, these costs are reimbursed to
14 Peoples or paid directly to FGT. All ACA, GRI and fuel
15 charges are included in the commodity costs in Column (I)
16 and, therefore, are not shown in Column (K).

17

18 Column (L) in each row is the sum of Columns (H), (I),
19 (J) and (K) divided by Column (G).

20

21 Q. Referring to Schedule E-1 of Composite Exhibit EE-2,
22 please explain the components of these schedules and the
23 assumptions which were made in developing the Company's
24 projections.

25

1 A. Schedule E-1 is shown in three versions. Page 1 relates
2 to Cost of Gas Purchased, Therms Purchased, and Cents Per
3 Therm for Combined Rate Classes, Page 2 relates to
4 Residential Customers, and Page 3 relates to Commercial
5 Customers.

6
7 The costs associated with various categories or items are
8 shown on lines 1 through 14. The volumes consumed for
9 similar categories or items are shown on lines 15 through
10 27, the resulting effective cost per therm rate for each
11 similar category or item is contained on lines 28 through
12 45.

13
14 The data shown on Schedule E-1 are taken directly from
15 Schedules E-3 (A) through (F) for the months of January
16 2002 through December 2002 .

17
18 Q. What information is presented on Schedule E-1/R of
19 Composite Exhibit EE-2?

20
21 A. Schedule E-1/R of Composite Exhibit EE-2 shows eight
22 months actual and four months estimated data for the
23 current period from January 2001 through December 2001
24 for all combined customer classes.

25

- 1 Q. What information is presented on Schedule E-2 of
2 Composite Exhibit EE-2?
3
- 4 A. Schedule E-2 of Composite Exhibit EE-2 shows the amount
5 of the prior period over/under recoveries of gas costs
6 which are included in the current PGA calculation.
7
- 8 Q. What is the purpose of Schedule E-4 of Composite Exhibit
9 EE-2?
10
- 11 A. Schedule E-4 of Composite Exhibit EE-2 simply shows the
12 calculation of the estimated true-up amount for the
13 January 2001 through December 2001 period. It is based
14 on actual data for eight months and four months of
15 projected data.
16
- 17 Q. What information is contained on Schedule E-5 of
18 Composite Exhibit EE-2?
19
- 20 A. Schedule E-5 of Composite Exhibit EE-2 is statistical
21 data which includes the projected therm sales and numbers
22 of customers by customer class for the period from
23 January 2002 through December 2002.
24
25

- 1 Q. How are Gas Research Institute charges treated in the
2 Purchased Gas Adjustment Cost Recovery Clause?
3
- 4 A. The Gas Research Institute ("GRI") is an industry-funded,
5 independent research organization. GRI provides
6 efficient and effective research and development of
7 products, studies and processes that benefit all natural
8 gas consumers. The work performed by GRI helps lower the
9 cost of gas and improve the efficiency of its use.
10 Historically, GRI funding was mandated by the Federal
11 Energy Regulatory Commission and recovered through
12 surcharges applied to the FERC-regulated, interstate
13 pipeline charges included in costs recovered through the
14 PGA. In 1998 FERC ordered that GRI funding transition to
15 fully voluntary funding by January 2004. Peoples Gas
16 supports the goals of GRI since the products and services
17 provided by GRI benefit our customers. Therefore,
18 Peoples Gas has continued to support GRI at the
19 previously mandated funding level and include the
20 voluntary funds in the PGA. Peoples Gas expects to
21 continue supporting GRI with voluntary funding at the
22 previously mandatory level and to include the voluntary
23 charges in the PGA, even when GRI funding transitions
24 fully to voluntary.
25

1 Q. How have you incorporated the Residential PGA factor and
2 the Commercial PGA factor in the derivation of the PGA
3 cap for which the company seeks approval?
4

5 A. On April 5, 1998, the Commission issued Order No. PSC-99-
6 0634-FOF-GU as a Proposed Agency Action in Docket No.
7 981698-GU. This Order approved Peoples Gas' request for
8 approval of a methodology for charging separate Purchased
9 Gas Adjustment factors for different customer classes.
10 Under the approved methodology, separate PGA factors are
11 derived by assigning the fixed, interstate pipeline
12 reservation costs to each customer class according to the
13 class' contribution to the company's peak month demand
14 for the winter season and the summer season. Exhibit EE-
15 2, Page 20 of 20, labeled Attachment, contains the
16 seasonal peak allocation factors based on the most
17 recent peak month data available, January 2001 and April
18 2001. These allocation factors are then applied to
19 Schedule E-1 to derive the separate version for
20 Residential, Commercial and Combined for All Rate
21 Classes. The WACOG for which Peoples seeks approval as
22 the annual cap is the Residential factor of \$0.98473 per
23 therm as shown in Schedule E-1.
24

25 Q. Does this conclude your testimony?

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A. Yes, it does.

1 MR. KEATING: And, Chairman, I believe the remaining
2 witnesses and exhibits are from companies whose witnesses and
3 counsel have been excused and aren't present today, so I will
4 go through those if you would like.

5 CHAIRMAN JACOBS: Very well.

6 MR. KEATING: First, on Page 6 of the prehearing
7 order, staff would recommend that the prefiled testimony of
8 George M. Bachman with Florida Public Utilities Company be
9 moved into the record as though read.

10 CHAIRMAN JACOBS: Without objection, show the
11 prefiled testimony of Mr. Bachman is entered into the record as
12 though read.

13 MR. KEATING: And staff would recommend that Mr.
14 Bachman's Exhibits GMB-1 and GMB-2 that are on Page 9 of the
15 prehearing order be marked for identification as Composite
16 Exhibit 4.

17 CHAIRMAN JACOBS: Show that marked as Composite
18 Exhibit 4.

19 MR. KEATING: And that that exhibit be moved into the
20 record.

21 CHAIRMAN JACOBS: Without objection, show that
22 Exhibit 4 is admitted.

23 (Composite Exhibit 4 marked for identification and
24 admitted into the record.)

25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010003-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 and in what capacity?
- 4 A. I am employed by Florida Public Utilities Company as the Controller.
- 5 Q. What is the purpose of your testimony at this time?
- 6 A. To advise the Commission of the actual over/under recovery of the Purchased Gas
7 Adjustment for the period January 1, 2000 through December 31, 2000. As
8 compared to the true-up amount previously reported for that period which was
9 based on eight months actual and four months estimated.
- 10 Q. Please state the actual amount of over/under recovery of the Purchased Gas
11 Adjustment for January 1, 2000 through December 31, 2000.
- 12 A. The Company under-recovered \$1,361,151 during January 2000 through
13 December 2000.
- 14 Q. How does this amount compare with the estimated true-up amount, which was
15 allowed by the Commission during the November 2000 hearing?
- 16 A. We had estimated an over-recovery of \$33,877 as of December 2000.
- 17 Q. Have you prepared any exhibits at this time?

1 A. We prepared and pre-filed composite exhibit GMB-1 which contains Schedule
2 A-7.

3 Q. Does this conclude your testimony?

4 A. Yes

5

6 GMB-PGA-400.TEST

7 disk PGA 12/96

8

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
George M. Bachman
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. George M. Bachman, 401 South Dixie Highway, West Palm Beach, FL
3 33401.
- 4 Q. By whom are you employed?
- 5 A. I am employed by Florida Public Utilities Company.
- 6 Q. Have you previously testified in this Docket?
- 7 A. Yes.
- 8 Q. What is the purpose of your testimony at this time?
- 9 A. I will summarize our projected gas recoveries computations which
10 are contained in composite exhibit GMB-2 which supports the January
11 2002 - December 2002 projected purchased gas adjustments for our
12 consolidated gas division. In addition, I will advise the
13 Commission of the projected differences between the revenues
14 collected and the purchased gas costs allowed in developing the
15 levelized purchased gas adjustment for the periods January 2000 -
16 December 2000 and January 2001 - December 2001. From these periods
17 I will establish a "true-up" amount to be collected or refunded
18 during January 2002 - December 2002.
- 19 Q. Were the schedules filed by your Company completed under your
20 direction?
- 21 A. Yes.
- 22 Q. Which of the Staff's set of schedules has your company completed
23 and filed?
- 24 A. We have prepared and previously filed True-Up schedules A-1, A-

1 2, A-3, A-4, A-5, A-6, and A-7 in addition to filing composite
 2 exhibit GMB-2 which contains Schedules E1, E1/R, E2, and E3, E4 and
 3 E5 for our consolidated gas division. These schedules support the
 4 calculation of the purchase gas adjustment factors for January 2002
 5 - December 2002.

6 Q. Have the January 2001 - December 2001 projections been revised?

7 A. No.

8 Q Why are the primary purchased gas adjustments issues?

9 A. The primary issues are as follows:

10 PURCHASED GAS ADJUSTMENT ISSUES

11 ISSUE 1: What is the appropriate final purchased gas adjustment
 12 true-up amount for the period January 2000 through December 2000?

13 COMPANY POSITION: The final purchased gas adjustment true-up
 14 amount for the period January 2000 - December 2000 is an under-
 15 recovery of \$1,395,028.

16 ISSUE 2: What is the estimated purchased gas adjustment true-up
 17 amount for the period January 2001 through December 2001?

18 COMPANY POSITION: We have estimated that we will have over-
 19 recovered \$1,761,048 for the period January 2001 - December 2001.

20 ISSUE 3: What is the total purchased gas adjustment true-up amount
 21 to be refunded during the period January 2002 through December
 22 2002?

23 COMPANY POSITION: The total net over-recovery to be refunded
 24 during the period January 2002 - December 2002 is \$366,020.

25 ISSUE 4: What is the appropriate levelized purchased gas
 26 adjustment recovery (cap) factor for the period January 2002
 27 through December 2002?

28 COMPANY POSITION: The Purchased Gas Cost Recovery Factor will be a
 29 maximum of \$83.412¢ per therm.

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

COMPANY POSITION: The factor should be effective for all meter readings on or after January 1, 2002, beginning with the first or applicable billing cycle for the period January 2002 - December 2002.

Q. Does this conclude your testimony?

A. Yes.

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1 MR. KEATING: Second, staff would recommend that the
2 prefiled testimony of Mark Schneidermann of Florida Public
3 Utilities be moved into the record as though read. It is
4 listed on Page 6 of the prehearing order.

5 CHAIRMAN JACOBS: Without objection, show the
6 prefiled testimony of Mr. Schneidermann is entered into the
7 record as though read.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
Marc L. Schneidermann
on Behalf of
Florida Public Utilities Company

- Q. Please state your name and business address.
- A. Marc L. Schneidermann, 401 South Dixie Highway,
West Palm Beach, FL 33402.
- Q. By whom are you employed and in what capacity?
- A. I am employed by Florida Public Utilities Company
(FPU) as the West Palm Beach Division Manager.
- Q. How long have you been employed by FPU?
- A. Since February 1989.
- Q. Have you previously testified before this
Commission?
- A. Yes, I testified in each of the Company's Purchased
Gas Cost Recovery Dockets dating back to Docket
Number 910003-GU, as well as Docket Numbers 940620-
GU and 900151-GU, the Company's last two (2)
filings for rate relief for its gas operations.
- Q. What are the subject matters of your testimony in
this proceeding?
- A. My testimony will relate to three (3) specific
matters: forecasts of gas sales, forecasts of the

pipeline charges and the forecast of commodity costs of natural gas to be purchased by the Company.

Q. What is the projection period for this filing?

A. The projection period starts on January 1, 2002 and ends on December 31, 2002.

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

A. Florida Public Utilities developed its gas sales projections based on a January 1997 through June 2001 study period. The Company compiled a database, sorted by rate classifications, which consisted of the historical monthly customer consumption and the historical monthly customer counts experienced during the study period. Detailed analyses were performed on the database. From these data, projections of customer counts were constructed by applying the historical average monthly rates of customer growth to the actual June 2001 customer count. June 2001 is set as a pivot point to ensure consistency between this filing and the Company's budget preparation procedures. The historical average monthly consumption per customer, by rate classification, was computed as

part of this study. The product of the projected monthly customer count and historical average monthly consumption, by rate classification, yielded the Company's projection of gas requirements. Adjustments were made by the Company's Marketing Department for variations in growth which were not adequately represented by historical trends. Gas requirements for company use were based on historical factors developed by the Company's Accounting Department. These projections were compiled and sorted to determine the total projected sales to the traditional non-transportation firm and the interruptible classes of customers for the twelve-month period of this filing.

- Q. Please describe how the forecasts of pipeline charges and commodity costs of gas were developed for the projection period.
- A. The purchases for the gas cost projection model were based on using Marketing's projection of sales to bundled and unbundled customers. Florida Gas Transmission Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges (including surcharges) and fuel rates, at the time the projections were

made, were used for the entire projection period. The expected cost of natural gas purchased by FPU and delivered to FGT, for transportation to the Company and for FGT's fuel use factor, during the projection period was developed using the highest monthly New York Mercantile Exchange (NYMEX) natural gas futures closing prices for like months since June 1992, which we then inflated due to the dramatic pricing volatility. The forecasts of the commodity cost of gas also takes into account the average basis differential between the NYMEX projections and historic cash markets as well as premiums and discounts, by zone, for term gas supplies.

- Q. Please describe how the forecasts of the weighted average costs of gas were developed for the projection period.
- A. FPU's sales to traditional non-transportation firm and interruptible customers were allocated all of the monthly pipeline demand costs and were allocated all of the projected pipeline and supplier commodity costs. The sum of these costs were divided by the projected sales level to said customers resulting in the projected weighted

average cost of gas for traditional non-transportation firm customers and interruptible customers and ultimately the Purchased Gas Cost Recovery Factor (PGCRF) shown on Schedule E-1. Capacity shortfalls, if any, would be satisfied with the most economic dispatch combination of acquired capacity relinquished by another FGT shipper and/or gas and capacity repackaged and delivered by another FGT capacity holder. Obviously, if other services become available and it is more economic to dispatch supplies under those services, the Company will utilize those services as part of its portfolio.

- Q. Does this conclude your prepared direct testimony?
- A. Yes.

1 MR. KEATING: Mr. Schneidermann has no exhibits. So
2 the next one on the list would be the prefiled testimony of
3 Brian Powers from Indiantown Gas. Staff would recommended that
4 that testimony be moved into the record as though read.

5 CHAIRMAN JACOBS: Without objection, show the
6 testimony of Mr. Powers is entered into the record as though
7 read.

8 MR. KEATING: And staff would ask that Mr. Powers'
9 Exhibits E-1, E-2, E-3, E-4, and E-5 listed on Pages 9 and 10
10 of the prehearing order be identified as Composite Exhibit 5.

11 CHAIRMAN JACOBS: Show that marked as Exhibit 5.

12 MR. KEATING: And staff would recommend that those
13 exhibits be moved into the record.

14 CHAIRMAN JACOBS: Without objection, show that
15 Exhibit 5 is admitted.

16 (Composite Exhibit 5 marked for identification and
17 admitted into the record.)

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

3 A. My name is Brian J. Powers and my business address is 16600 S.W. Warfield Blvd.,
4 Indiantown, Florida 34956. I am employed by Indiantown Gas Company in the capacity
5 of President.

6 Q. What are your responsibilities in that position?

7 A. I am responsible for the general operation of the company including; rates, regulatory
8 matters, budget preparation, pension plan, gas management, E.D.P., safety compliance,
9 construction, and service department.

10 Q. What is the purpose of your testimony?

11 A. To briefly discuss the final true-up for the period ending December 31, 2000.

12 Q. What were the total therm sales for the period ending December 31, 2000?

13 A. Total therm sales were 9,332,537 therms.

14 Q. What were the total therm purchases for the period January 99 - December 99?

15 A. Total therm purchases were 9,154,300 therms.

16 Q. What was the cost of gas to be recovered through the PGA for the period ending
17 December 31, 2000?

18 A. The total actual fuel cost for the period ending December 31, 2000 was \$3,682,068.

19 Q. What was the total amount collected for the period ending December 31, 2000?

20 A. The total actual fuel revenue was \$3,709,830.

21 Q. What is the total true-up provision for the period ending December 31, 2000?

22 A. The total true-up provision, including interest, is an overrecovery of \$27,767.

23 Q. What is the amount of estimated true-up for the period January - December 2000 included
24 in the January 2001 projection calculation?

25 A. The total estimated true-up was a \$7,321 overrecovery.

1 Q. What is the final over/underrecovery for the period ending December 31, 2000?

2 A The final overrecovery for the period is \$20,446.

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INDIANTOWN GAS COMPANY
DOCKET NO. 010003-GU

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY

3 OF

4 BRIAN J. POWERS

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

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

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12 Q. What are your responsibilities in that position?

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

15 Q. What is the purpose of your testimony.

16 A. To briefly summarize the projected levelized maximum purchased gas cost recovery factor
17 (LPGCR) calculations for the period January 2001 through December 2001.

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

19 A. Yes. Schedules E-1, E-2, E-3, E-4 and E-5 were filed on September 26, 2001.

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2 Q. Please explain the calculation for the total true-up amount to be collected or refunded during
3 the January 2002 through December 2002 period.

4 A. We have projected that at the end of December 2001, based on eight months actual, we
5 will have under-recovered \$25,598 for the January 2001 through December 2001 period. Also at
6 the end of December 2001, we will have over-recovered \$20,446 for the January 2000 through
7 December 2000 period. The total net under-recovery to be collected during the January through
8 December 2002 period is \$5,152. Based on estimated sales for the period January 2002 through
9 December 2002, it will be necessary to add .122 cents per therm to collect this under-recovery. See
10 Schedule E-4 for details of this computation.

11 Q. What (LPCGR) Factor does Indiantown Gas Company seek approval through its petition
12 for the period January 1, 2002 through
13 December 31, 2002?

14 A. \$0.86159 per therm.

15 Q. Does this conclude your testimony?

16 A. Yes

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1 MR. KEATING: Next, staff would recommend that we
2 move into the record the prefiled testimony of Jerry Melendy
3 from Sebring Gas.

4 CHAIRMAN JACOBS: Without objection, show Mr.
5 Melendy's testimony is entered into the record as though read.

6 MR. KEATING: And that Mr. Melendy's Exhibits JHM-1
7 and JHM-2 be marked for identification as Composite Exhibit 6
8 and moved into the record.

9 CHAIRMAN JACOBS: Show that marked as Composite
10 Exhibit 6. And without objection, show Exhibit 6 is admitted.

11 (Composite Exhibit 6 marked for identification and
12 admitted into the record.)

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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 JANUARY 2000 through DECEMBER 2000.

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 follows:

24 A-7 - FINAL FUEL OVER/UNDER RECOVERY - JANUARY 2000

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1 THROUGH DECEMBER 2000.

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

4 A. Yes they were. Beginning in April 1994, the PGA schedules were
5 prepared by myself. Prior to this, the schedules were prepared by
6 my consultants, Regulated Industry Consultants, with my furnishing
7 the data and final approval.

8 Q. What was the total cost of gas to be recovered through the Purchased Gas
9 Adjustment Clause for the period January 2000
10 through December 2000?

11 A. The total cost of gas for the period January 2000 through
12 December 2000 was \$342,091 (Schedule A-7, Line 1, Dec 2000)

13 Q. What was the Actual Fuel Revenues for the Period January 2000 through
14 December 2000?

15 A. The total Actual Fuel Revenues for the Period January 2000
16 through December 2000 was \$327,731 (Schedule A-7, Line 2,
17 Dec 2000)

18 Q. What is the total true-up provision for the period January 2000
19 through December 2000?

20 A. The total true-up provision, including interest, for the period
21 January 2000 through December 2000, is an underrecovery of
22 \$13,696 (Schedule A-7, Line 5, Dec 2000).

23 Q. What is the final estimated true-up to be included in the January
24 2002 through December 2002 PGA factor calculation?

25 A. The final estimated true-up to be included in the January 2002

1 through December 2002 PGA factor calculation is an overrecovery
2 of \$6,642, as indicated in Schedule A-7, Line 7, which is
3 the underrecovery of \$13,696 for the period January 2000 through
4 December 2000, Schedule A-7, Line 5, plus the estimated underrecovery
5 of \$20,338 for the period January 2001 through December 2001, Schedule
6 A-7, Line 6.

7 Q. Does this conclude your testimony?

8 A. Yes it does.

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1. Please state your name, business address, by whom you
2. are employed and in what capacity.
3. A. My name is Jerry H, Melendy, Jr. My business
4. address is 3515 U.S. Highway 27, South, Sebring,
5. Florida, 33870-5452. I am employed as the Vice
6. President of Sebring Gas System, Inc.(the Company),
7. a Florida Corporation.
8. Q. What are your responsibilities in that position?
9. A. I am responsible for all areas of finance, rates,
10. accounting and taxes as well as general management
11. responsibilities of the company.
12. Q. Please state your educational background.
13. A. I have an Associates of Arts Degree from Polk
14. Community College. A have a Bachelor of Arts
15. Degree from the University of South Florida.
16. Q. What is the purpose of your testimony?
17. A. The purpose of my testimony is to present the
18. calculation of the Company's levelized purchased gas
19. cost for the upcoming twelve-month period January
20. 2002 through December 2002.
21. Q. Has the Company prepared the Schedules as
22. prescribed by this Commission for this purpose?
23. A. Yes it has. The Schedules prescribed by the

1. Commission are being files at this time. Copies of these
2. schedules are attached to my testimony.
3. Would you please identify the Schedules which you are
4. filing?
5. Yes. The Purchased Gas Adjustment Schedules presently
6. filed are as follows:
7. E-1 – PURCHASED GAS ADJUSTMENT COST
8. RECOVERY CLAUSE CALCULATION, Original Estimate
9. for the Projected Period January 2002 through December
10. 2002.
11. E-1R – PURCHASED GAS ADJUSTMENT COST
12. RECOVERY CLAUSE CALCULATION, Revised Estimate
13. for the Period January 2001 through December 2001.
14. E-2 – CALCULATIONS OF TRUE-UP AMOUNT for the
15. Current Period January 2001 through December 2001.
16. E-3 – TRANSPORTATION PURCHASES, SYSTEM
17. SUPPLY AND USE for the period January 2002 through
18. December 2002. Because Sebring Gas System does not
19. purchase transportation gas, this schedule, although included
20. is this filing, is not applicable.
21. E-4 – CALCULATING OF TRUE-UP AMOUNT,
22. PROJECTED PERIOD January 2001 through December
23. 2002.

1. E-5 – THERM SALES AND CUSTOMER DATA for the
2. Projected Period January 2002 through December 2002.

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

5. A. Yes, they were.

6. REVISED ESTIMATES FOR THE PERIOD

7. JANUARY 2001 – DECEMBER 2001

8. Q. What is the revised estimate of total purchased gas cost for
9. the period January 2001 through December 2001?

10. A. The revised estimate of purchased gas cost for the current
11. period January 2001 through December 2001 is \$375,241
12. (Schedule E-2, Line 3).

13. Q. What is the revised estimate of gas revenue to be collected for
14. the current period January 2001 through December 2001?

15. A. The revised estimate of gas revenue to be collected for the
16. current period January 2001 through December 2001 is
17. \$415,415 (Schedule E-4, Line 4).

18. Q. What is the revised true-up amount, including interest,
19. estimated for the current period January 2001 through
20. December 2001?

21. A. The company's revised true-up amount, including interest,
22. estimated for the current period January 2001 through
23. December 2001 is \$16,680 (Schedule E-2, Line 7 + Line 8).

1. PROJECTIONS FOR THE PERIOD
2. JANUARY 2002 THROUGH DECEMBER 2002
3. Q. How was the projections for the period January 2002
4. through December 2002 determined?
5. A. The estimated gas supply requirements for each month of the
6. twelve-month period were determined initially. These
7. requirement estimates were based upon the estimated sales to
8. ultimate customers for the period.
9. Q. What steps were used to determine the estimated cost of gas
10. for the projected period January 2002 through December
11. 2002?
12. A. As reported in Schedule E-1, Lines 1 through 11, the total
13. cost of gas consists of the commodity cost of gas, baseload
14. services, demand charges and management fees from the
15. Company's gas supplier, Penninsula Energy Services
16. Company (PESCO), and transportation charges as billed by
17. TECO, People's Gas System.
18. The Commodity portion of the Cost of Gas Purchased is
19. shown on Lines 1 and 4 of Schedule E-1. The rate utilized for
20. the projected period January 2002 through December 2002
21. are PESCO rates estimated by myself.
22. The Commodity (Other), Line 4, is based on the estimated
23. therms purchased by the Company, multiplied by the

1. estimated rate per therm, plus a management fee. The rate is
2. based upon the price obtained by our supplier, PESCO, plus a
3. monthly management fee of \$250. The management fee
4. allows the Company to benefit from the research work of the
5. procurement department of PESCO for obtaining the best
6. priced and most reliable gas source. Because of the
7. Company's small size and lack of experience in acquiring
8. gas, the best use of the Company's funds and resources is to
9. contract the procurement of gas supply out to PESCO.
10. Other charges for the Cost of Gas Purchased is represented
11. on Line 6 of Schedule E-1. This figure consists of a charge
12. for the transporting of gas by TECO People's Gas. This
13. charge is for transporting gas through a seven mile pipeline
14. belonging to TECO People's Gas, beginning at FGT's gate
15. station in Avon Park and traveling south to the Company's
16. gate station in Sebring. The charge for this transportation is
17. 35 cents per MCF (1,000 Cubic Foot).

18. Q. How was the projected total firm service determined?

19. A. The Company has only firm sales at this time. Subsequently,
20. the total sales and firm sales are the same. The total sales
21. were determined by using historical averages for both
22. classes, residential and commercial customers, with an
23. estimated growth factor added. The total sales are shown on

1. Line 27 of Schedule E-1. The total estimated sales for the
2. projected period January 2002 through December 2002 is
3. 752,400 therms.
4. Q. What is the Company's estimated average cost per therm for
5. the Projected period January 2002 through December 2002?
6. A. As shown on Line 40 of Schedule E-1, the Company's
7. estimated average cost per therm for the Projected period
8. January 2002 through December 2002 is 89.453 cents.
9. To arrive at the Total PGA Factor, the average cost of gas is
10. adjusted for the estimated total true-up through December
11. 2001, as shown on Schedule E-4, and for revenue-related
12. taxes.
13. Q. What is the Company's projected PGA Factor for the
14. Projected period January 2002 through December 2002?
15. A. The Company's projected PGA factor for the Projected
16. period January 2002 through December 2002 is 88.004
17. cents per therm, as shown on Line 45 of Schedule E-1.
18. Q. The estimated total true-up for the period January 2002
19. through December 2002, as shown on Schedule E-4 is
20. included in the projected PGA Factor for the period January
21. 2002 through December 2002. How was the figure
22. calculated?
23. A. The final true-up amount for the period January 2000 through

1. December 2000 is added to the estimated end of period net
2. true-up for January 2001 through December 2001. The
3. January 2001 through December 2001 estimated true-up is
4. based on eight months' actual plus four months' projected
5. data.
6. Q. What is the impact of the total true-up for the period January
7. 2001 through December 2001 on the projected PGA Factor
8. for the Projected period January 2002 through December
9. 2002?
10. A. The projected true-up for the period ending December 2001
11. is an over collection of \$16,680, which is shown on Line 4,
12. Column 4 of Schedule E-4. This amount, added to the over
13. collection of \$ 6,642 (Line 4, Column 3, E-4) for the prior
14. period, January 2000 through December 2000, creates an
15. projected over recovery of \$23,322 (Line 4, Column 5, E-4)
16. for the Projected period January 2002 through December
17. 2002. Dividing the over collection of \$23,322 by the total
18. estimated therm sales of 752,400 therms for the Projected
19. period January 2002 through December 2002 results in a
20. refund of 3.09964 cents per therm sold to be included in the
21. proposed PGA factor. This amount appears on Line 41 of
22. Schedule E-1 and will appear on Line 41 of Schedule A-1
23. and A-1R for each month of the Projected period January

1. 2002 through December 2002.
2. Q. What is the maximum levelized purchased gas factor (cap)
3. that you are proposing for the projected period January 2002
4. through December 2002?
5. A. The maximum levelized purchased gas factor (cap) that the
6. Company is proposing for the Projected period January 2002
7. through December 2002 is 88.004 cents per therm sold.
8. Q. Does this conclude your testimony?
9. A. Yes, it does.
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1 MR. KEATING: Next, on Page 6 of the prehearing
2 order, Witness Al Kara from South Florida Natural Gas, staff
3 would recommend that his prefiled testimony be moved into the
4 record as though read.

5 CHAIRMAN JACOBS: Without objection, show Mr. Kara's
6 testimony is entered into the record as though read.

7 MR. KEATING: And staff would recommend that
8 Mr. Kara's Exhibit AK-1 be identified as Exhibit 7 and moved
9 into the record.

10 CHAIRMAN JACOBS: Show that marked as Exhibit 7, and
11 without objection, show Exhibit 7 is admitted.

12 (Exhibit 7 marked for identification and admitted
13 into the record.)

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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 Natural Gas
3 (SFNG). My business address is P.O. Box 248, New Smyrna Beach, Florida
4 32170.

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to discuss the final true-up for the period January
7 2000 through December 2000.

8 Exhibits

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

11 A. Yes. As Composite Exhibit AK-1, I am sponsoring the following schedule with
12 respect to the final true-up for the period January 2000 through December 2000:
13 A-7 - Final Fuel Over/Under Recovery January 2000 through December 2000.

14 Q. Was this schedule prepared under your direction and supervision?

15 A. Yes, it was.

16 Final True-Up January 2000 - December 2000

17 Q. What were total therm sales for the period January 2000 through December
18 2000?

19 A. Total therm sales subject to the PGA were 2,867,344 therms.

20 Q. What were total therm purchases for the period January 2000 through December
21 2000?

22 A. Total therm purchases were 2,960,770 therms.

23

- 1 Q. What was the cost of gas to be recovered through the PGA for the period January
2 2000 through December 2000?
- 3 A. The cost of gas purchased for the period was \$1,435,676.
- 4 Q. What was the amount of gas revenue collected for the period January 2000
5 through December 2000?
- 6 A. The amount of gas revenue collected to cover the cost of gas was \$1,186,729.
- 7 Q. What is the total true-up provision for the period January 2000 through December
8 2000?
- 9 A. The total true-up provision, including interest, is an underrecovery of \$252,896
10 for the period.
- 11 Q. What is the amount of estimated true-up included for January 2000 through
12 December 2000 in the January 2001 through December 2001 PGA factor
13 calculation?
- 14 A. The amount of estimated true-up for the period January 2000 through December
15 2000 included in the January 2001 through December 2001 PGA factor
16 calculation was an underrecovery of \$162,320.
- 17 Q. What is the final over/underrecovery for the January 2000 through December
18 2000 period to be included in the January 2001 through December 2001
19 projection?
- 20 A. The final underrecovery for the January 2000 through December 2000 period to
21 be included in the January 2001 through December 2001 projection is \$90,576.
- 22 Q. Does this conclude your testimony?
- 23 A. Yes, it does.

- 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 Natural Gas
3 (SFNG). My business address is P.O. Box 248, New Smyrna Beach, Florida
4 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 levelized
7 purchased gas adjustment factor for the period January 1, 2002 through
8 December 31, 2002.
- 9 Q. Would you please identify the Composite Exhibit which you are sponsoring with
10 this testimony?
- 11 A. Yes. As Composite Exhibit AK-1, I am sponsoring the following schedules E-1,
12 E-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 Q. What is the appropriate final purchased gas adjustment true-up amount for the
16 period January 2000 through December 2000?
- 17 A. The final purchased gas adjustment true-up amount for the period January 2000 -
18 December 2000 is an underrecovery of \$211,238.
- 19 Q. What is estimated purchased gas adjustment true-up amount for the period
20 January 2001 through December 2001?
- 21 A. We have estimated that we will have overrecovered \$211,229 for the period
22 January 2001 through December 2001.
- 23 Q. What is the total purchased gas adjustment true-up amount to be collected

- 1 during the period January 2002 through December 2002?
- 2 A. The total net underrecovery to be collected during the period January 2002
3 through December 2002 is \$10.
- 4 Q. What is the appropriate levelized purchased gas adjustment recovery (cap) factor
5 for the period January 2002 through December 2002?
- 6 A. The purchased gas cost recovery factor will be a maximum of \$98.183 cents per
7 therm.
- 8 Q. What should be the effective date of the new purchased gas adjustment charge
9 for billing purposes?
- 10 A. The factor should be effective for all meter readings on or after January 1, 2002,
11 beginning with the first or applicable billing cycle for the period January 2002
12 through December 2002.
- 13 Q. Does this conclude your testimony?
- 14 A. Yes, it does.

1 MR. KEATING: And finally, staff would recommend that
2 the prefiled testimony of Stuart Shoaf on behalf of St. Joe
3 Natural Gas be moved into the record as though read.

4 CHAIRMAN JACOBS: Without objection, show Mr. Shoaf's
5 testimony is entered into the record at though read.

6 MR. KEATING: Mr. Shoaf has Exhibits SLS-1 through
7 SLS-6 that are shown in the prehearing order beginning at Page
8 11. Staff would recommend that those exhibits be marked as
9 Composite Exhibit 8 and moved into the record.

10 CHAIRMAN JACOBS: Show that marked as Exhibit 8. And
11 without objection, show Exhibit 8 is admitted.

12 (Composite Exhibit 8 marked for identification and
13 admitted into the record.)

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2

3 In Re: Purchased Gas Recovery) Docket No. 000003-GU
) Submitted for filing
 4 _____) April 26, 2001

5

DIRECT TESTIMONY OF STUART L. SHOAF ON

6

BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.

7

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

10 A. Stuart L. Shoaf, 301 Long Avenue, Port St. Joe,
 11 Florida 32456, St. Joe Natural Gas Company in the
 12 capacity of President and Regulatory Affairs.

13 Q. What is the purpose of your testimony?

14 A. My purpose is to discuss the final true-up for
 15 the period January 2000 through December 2000.

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Exhibits

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

19 A. Yes. As Composite Exhibit SLS-1, I am sponsoring the
 20 following schedule with respect to the final
 21 true-up for period January 2000 through December 2000.
 22 Schedule A-7 - Final Fuel Over/Under Recovery

23 Q. Was this schedule prepared under your direction
 24 and supervision?

25 A. Yes, it was.

1 Final True-Up January 2000 - December 2000

- 2 Q. What were the total therm sales for the period January
3 2000 through December 2000?
- 4 A. Total therm sales were 1,414,315 therms.
- 5 Q. What were total therm purchases for the period January
6 2000 through December 2000?
- 7 A. Total therm purchases were 0.
- 8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2000 through December 2000?
- 10 A. The cost of gas purchased for January 2000 through
11 December 2000 was \$888,668.79.
- 12 Q. What was the amount of gas revenue collected for the
13 period January 2000 through December 2000?
- 14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$755,302.18.
- 16 Q. What is the total true-up provision for the period
17 January 2000 through December 2000?
- 18 A. The total true-up provision, including interest, is an
19 under-recovery of \$130,199.57 for the period.
- 20 Q. What is the amount of estimated true-up included for
21 January 2000 thru December 2000 in the January 2001
22 through December 2001 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
24 thru December 2000 included in the January 2001 through
25 December 2001 PGA factor calculation was an under-

1 recovery of \$42,200.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2000 period to be included in the
4 January 2002 through December 2002 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2002 through December 2002
7 projection is \$87,999.57.

8 Q. Does this conclude your testimony?

9 A. Yes

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Purchased Gas Recovery) Docket No. 010003-GU
) Submitted for filing
) September 26, 2001

DIRECT TESTIMONY OF STUART L. SHOAF ON
BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.
=====

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

A. Stuart L. Shoaf, 301 Long Avenue, Port St. Joe,
Florida 32456, St. Joe Natural Gas Company in the
capacity of President and Regulatory Affairs.

Q. What is the purpose of your testimony?

A. My purpose is to submit known and estimated gas
costs and therm sales from January 1, 2002 through
December 31, 2002, used in developing the maximum twelve
month levelized purchased gas cost factor to be applied
to customer bills from January 1, 2002 through
December 31, 2002.

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

A. Yes, I have prepared and filed on Sept. 26, 2001
Schedules E-1 through E-5.

Q. What Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its
2 petition for the period January 1, 2002 through
3 December 31, 2002?

4 A. 75.40 cents per therm

5 Q. Does this conclude your testimony?

6 A. Yes

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1 CHAIRMAN JACOBS: That takes care of Docket 03,
2 correct?

3 MR. KEATING: That takes care of all the witnesses
4 and exhibits. The four-page handout, I don't know if that has
5 been marked or moved as an exhibit at this point.

6 CHAIRMAN JACOBS: It was not marked nor moved.

7 MR. WATSON: What is the next number?

8 MR. KEATING: I believe it is Number 9.

9 CHAIRMAN JACOBS: So you would like to have this
10 marked as Exhibit 9? Show that marked.

11 MR. WATSON: I think Public Counsel and Peoples would
12 jointly move that that be admitted.

13 CHAIRMAN JACOBS: Without objection, show Exhibit 9
14 is admitted.

15 (Exhibit 9 marked for identification and admitted
16 into the record.)

17 MR. KEATING: And, Mr. Chairman, I believe that would
18 complete the record for the 03 docket. And as we indicated
19 earlier, staff is prepared to provide an oral recommendation at
20 this point concerning the stipulated Issues 1 through 5 and
21 concerning Issue 6, which you heard oral argument on.

22 CHAIRMAN JACOBS: Any questions, Commissioners?

23 COMMISSIONER JABER: No. I was actually prepared to
24 move -- to make a motion that we accept stipulated Issues 1
25 through 5.

1 COMMISSIONER DEASON: Second.

2 CHAIRMAN JACOBS: Moved and seconded. Before we do
3 that, staff, we have -- it's my understanding there was a
4 proceeding undertaken to explore risk mitigation efforts with
5 regard to the PGA. Is that still on-going?

6 MR. KEATING: We have been looking at the gas
7 companies risk mitigation plans, probably not to the extent
8 that we have looked at the electric companies plans in the 01
9 docket, but that is a matter that we are continuing to look at.

10 CHAIRMAN JACOBS: What is the status of that? It is
11 not, I assume, a docket, a docketed matter?

12 MR. KEATING: It is not a separate docket at this
13 point. It's something that we have done discovery on through
14 the PGA docket, but it was not raised as a separate issue in
15 the 010003 docket.

16 CHAIRMAN JACOBS: It strikes me, and I have read the
17 testimony and I accept the company's representations that they
18 are undertaking means and measures by which to bring to this
19 proceeding the least-cost options, but I did not see much by
20 which I could quantify those efforts. And it would occur to me
21 that -- and the reason I didn't want to pose questions here is
22 because it was my understanding that that would be taken care
23 of in the context of this other proceeding. It would be my
24 suggestion that if that proceeding does not come into fruition,
25 that then an issue be brought into this docket in the next

1 cycle to quantify how those efforts are indeed being
2 implemented and what are the benefits that are being derived.

3 COMMISSIONER JABER: And so that I am clear on your
4 suggestion, Mr. Chairman, let me make sure I understand what is
5 the status of staff's discovery. Have you looked at the
6 discovery and just sort of decided it was premature to bring
7 back a recommendation that we initiate a proceeding, or are you
8 not ready to include an issue in this proceeding?

9 MR. MAKIN: We did send out interrogatories and did
10 receive responses. At this point in time there is a little
11 more follow-up investigation that needs to be done before we
12 come to the Commission with any type of recommendation.

13 COMMISSIONER JABER: Okay. I would ask that staff
14 keep all the Commissioners in the loop on that, Mr. Chairman,
15 and to close up your informal review in time for an issue to be
16 identified in a future proceeding.

17 MS. BULECZA-BANKS: If I could interject at this
18 point. One of the issues, the reason why it has been difficult
19 to get a handle on it, as you know the gas companies are in
20 lieu of unbundling and they are in the process of that now. So
21 a lot of their gas purchasing strategies are changing now based
22 on how many customers are shifting off their system.

23 Most of the volumes that the gas companies purchase
24 today are transportation volumes, so you have very little gas
25 that you are working with now. And as we see how many small

1 commercial customers are shifting over, it's hard for them to
2 determine what the policy is going forward right now because
3 they don't know what they are going to have left. So that is
4 some of the difficulties as to why we really couldn't get a
5 handle on. You know, what they are doing now may be
6 appropriate, but maybe down the road it may need to change as
7 their base shifts from a kind of different base of different
8 kind of customers to maybe a base that is almost purely
9 residential.

10 In fact, there has been some discussions from the
11 companies about actually going out and bidding all their supply
12 to a marketer so they will be out of the merchant function. So
13 there are a lot of things going on right now, and that is the
14 reason why we haven't been able to get to a point where we
15 could bring you an issue on their strategies because they are
16 ever changing right now.

17 CHAIRMAN JACOBS: And I saw Mr. Elliott's testimony
18 on that, and I agree that this is a time of evolution. And I
19 accept that it will take some time to get a handle on those
20 strategies. But I also really believe that by the very nature,
21 when we looked at going to unbundling and when we explored
22 these other avenues, the express purpose was to bring
23 efficiencies to this whole process. And I don't know that I am
24 looking for a particular result, except I would like to
25 understand how those efficiencies are playing out in this

1 process. That is the essence of the question I would love to
2 see answered. If indeed we are seeing efficiencies come into
3 the marketplace due to unbundling, due to gas purchasing
4 strategies, how are they playing out in this proceeding?
5 Because ultimately, this is the proceeding where consumers
6 ought to see the greatest benefit of those measures, and that
7 is the issue that I would love to see in this docket. Okay.

8 And with that, we have a second. A motion and a
9 second. Any other questions? All in favor.

10 (Simultaneous affirmative vote.)

11 CHAIRMAN JACOBS: Opposed? Show Docket 03 is
12 approved.

13 COMMISSIONER DEASON: We have to address Issue 6.

14 CHAIRMAN JACOBS: I'm sorry, yes.

15 COMMISSIONER DEASON: Is staff prepared to make a
16 recommendation?

17 MR. MAKIN: Yes, sir. Staff's position is as stated
18 in the prehearing order. We agree that the monies that have
19 been spent have gone for a good purpose. We have approved the
20 \$166,000 in the true-up, and I did an analysis that if we were
21 to take the \$166,000 out, as Public Counsel suggests, it makes
22 one penny difference in the customer's bill using 25 therms.

23 COMMISSIONER DEASON: Let me make a motion we approve
24 staff's recommendation. And it really doesn't make a
25 difference to me whether it is one penny, or half a penny, or a

1 tenth of a penny, or \$10, it's the principle of the thing. I
2 think the principle is we had to send a signal to the company
3 that these costs were going to be recovered. These were costs
4 that have already been expended, we need to send clearer
5 signals to companies that we regulate. So I would observe that
6 this is a true-up amount for the year 2000. We need to be
7 consistent. I think allowing that as part of the true-up
8 provides that consistency.

9 I make that motion, though, with the observation that
10 this issue, the forum of this issue is going to shift to some
11 future base rate proceeding. I think everybody's rights will
12 be preserved in that proceeding. And there is going to be a
13 burden on the company to demonstrate -- like any expenses in a
14 base rate proceeding -- to demonstrate that they are prudent
15 and there are benefits. And if and when that time comes, we
16 will address it further. But for purposes of the 2000 true-up,
17 I think it needs to be included and be recovered.

18 CHAIRMAN JACOBS: This was -- we did not have a base
19 rate proceeding on this company, did we?

20 MR. MAKIN: No, sir. Not in some time.

21 CHAIRMAN JACOBS: In the other base rate proceedings
22 did this issue come up?

23 MR. MAKIN: No, sir.

24 CHAIRMAN JACOBS: Okay.

25 COMMISSIONER BAEZ: I would second, Mr. Chairman.

1 COMMISSIONER JABER: I second the motion.

2 CHAIRMAN JACOBS: There has been a motion and a
3 second. Let me say the issue was brought up about the votes
4 that came out of NARUC. Generally what happens is these
5 matters come out of a substantive committee, and by the time
6 they come to the board of directors, there is pretty much a
7 representation that the substance of that issue has been
8 addressed at a lower level.

9 Having said that, it is always in anticipation that
10 when a matter comes either at that forum or in this forum that
11 those expenses would derive benefits to the public specifically
12 and not generically. And it will be my hope that even when we
13 take care of this in a substantive proceeding that those kinds
14 of proofs are brought forward. I would like to have seen that
15 in this proceeding where we could demonstrate here is how that
16 research translates to quantifiable benefits that consumers can
17 see. But absolutely in a base rate proceeding you would expect
18 to see that kind of proof made. Having said that, there is a
19 motion and a second.

20 COMMISSIONER DEASON: Let me just clarify. You
21 brought up the question of the resolution, and I think it is
22 appropriate to bring it up. I have no problem with that. But
23 the last resolve simply states that NARUC encourages its
24 members to continue to support. Well, that can be interpreted
25 in many different ways. How you encourage and how you continue

1 to support. You know, I guess that one extreme could be a 100
2 percent guaranteed recovery in a true-up proceeding on a
3 going-forward basis or it could be some type of a review in a
4 base rate proceeding and with perhaps a percentage recovery and
5 not 100 percent. I just want -- the reason I voted for this
6 was that it gave flexibility to the commissions to -- while
7 there was a general statement of support for the concept, it
8 gave flexibility to the individual commissions to evaluate the
9 circumstances in their individual state and do what they felt
10 was appropriate and go forward with the appropriate policy.

11 COMMISSIONER PALECKI: Commissioners, I would like to
12 point out that since funding is no longer mandatory with GRI,
13 GRI has completely reorganized their operations. They have
14 also changed the way the companies contribute so that the
15 contributions made by the companies are for specific programs
16 rather than just general contributions.

17 Saying that, I would encourage the companies in
18 Florida to continue to contribute and to earmark those programs
19 that you know the Commission in the past has allowed cost
20 recovery for. And I think many of the programs that are
21 available from GRI are the types of programs that this
22 Commission has generally allowed cost recovery either through
23 base rates or through one of the clauses.

24 CHAIRMAN JACOBS: Very well. I have a motion and a
25 second. All in favor.

1 (Simultaneous affirmative vote.)

2 CHAIRMAN JACOBS: Opposed? Show Issue 6 is approved.
3 Is there anything else in Docket 03?

4 MR. KEATING: I believe that is everything there is
5 to resolve in Docket 010003.

6 CHAIRMAN JACOBS: Very well. Then if there -- if
7 there is any party that is in 03, but not in 04, they are
8 excused.

9 (Thereupon, the portion of the hearing pertaining to
10 Docket No. 010003-GU was concluded.)

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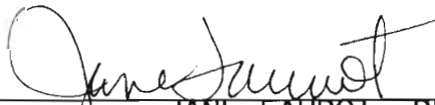
1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

4
5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
6 Services, FPSC Division of Commission Clerk and Administrative
7 Services, do hereby certify that the foregoing proceeding was
8 heard at the time and place herein stated.

9 IT IS FURTHER CERTIFIED that I stenographically
10 reported the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript constitutes a true transcription of my notes of said
13 proceedings.

14 I FURTHER CERTIFY that I am not a relative, employee,
15 attorney or counsel of any of the parties, nor am I a relative
16 or employee of any of the parties' attorney or counsel
17 connected with the action, nor am I financially interested in
18 the action.

19 DATED THIS 3RD DAY OF DECEMBER, 2001.

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