BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020003-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 of next year and ends on December 31 of the same year.

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 study period beginning with January 1997 and ending June of this year. 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 this June's actual customer count. We set this June 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 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, less the cost of capacity temporarily relinquished to pool managers for the accounts of unbundled customers, and were allocated all of the relevant 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.