

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 060003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

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

1 Q. Please state your name and business address.

2 A. Marc L. Schneidermann, 401 South Dixie Highway, West
3 Palm Beach, FL 33401.

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

5 A. I am employed by Florida Public Utilities Company
6 (FPU) as the Director, Corporate Services.

7 Q. How long have you been employed by FPU?

8 A. Since February 1989.

9 Q. Have you previously testified before this Commission?

10 A. Yes, I testified in each of the Company's Purchased
11 Gas Cost Recovery Dockets dating back to Docket Number
12 910003-GU, as well as Docket Numbers 940620-GU,
13 900151-GU, and 040216-GU the Company's last two (3)
14 filings for rate relief for its gas operations.

15 Q. What are the subject matters of your testimony in this
16 proceeding?

17 A. My testimony will relate to three (3) specific
18 matters: forecasts of gas sales, forecasts of the

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

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

4 A. The projection period is January 2007 through December
5 2007.

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

8 A. Gas sales projections for next year were based on
9 historical factors developed by the Company's
10 Marketing Department. These projections were compiled
11 and sorted to determine the total projected sales to
12 the traditional non-transportation firm and the
13 interruptible classes of customers for the twelve-
14 month period of Company's Purchased Gas Cost Recovery
15 Factor filing.

16 Q. Please describe how the forecasts of pipeline charges
17 and commodity costs of gas were developed for the
18 projection period.

19 A. The purchases for the gas cost projection model were
20 based on using Marketing's projection of sales to
21 bundled and unbundled customers. Florida Gas
22 Transmission Company's (FGT) FTS-1, FTS-2, NNTS-1 and
23 ITS-1 effective charges (including surcharges) and
24 fuel rates, at the time the projections were made,
25 were used for the entire projection period. The

1 expected cost of natural gas purchased by FPU and
2 delivered to FGT, for transportation to the Company
3 and for FGT's fuel use factor, during the projection
4 period was developed using the monthly maximum winter
5 and summer New York Mercantile Exchange (NYMEX)
6 natural gas futures settlement prices for the
7 historical period of June 1992 through present, which
8 we then inflated due to the pricing volatility. The
9 forecasts of the commodity cost of gas also takes into
10 account the average basis differential between the
11 NYMEX projections and historic cash markets as well as
12 premiums and discounts, by zone, for term gas
13 supplies.

14 Q. Please describe how the forecasts of the weighted
15 average costs of gas were developed for the projection
16 period.

17 A. FPU's sales to traditional non-transportation firm and
18 interruptible customers were allocated all of the
19 monthly pipeline demand costs, less the cost of
20 capacity temporarily relinquished to pool managers for
21 the accounts of unbundled customers, and were
22 allocated all of the relevant projected pipeline and
23 supplier commodity costs. The sum of these costs were
24 divided by the projected sales level to said customers
25 resulting in the projected weighted average cost of

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

13 Q. Did FPU review and revise the gas cost projections for
14 the remainder of the current year?

15 A. Yes. The projections for August through December of
16 the current year were reviewed and revised to reflect
17 the current market trend.

18 Q. Does this conclude your prepared direct testimony?

19 A. Yes.