

1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Akerman Law Firm, 106
3 East College Avenue, Suite 1200, Tallahassee, FL 32301,
4 appearing on behalf of Florida City Gas.

5 NORMAN H. HORTON, JR., ESQUIRE, Messer,
6 Caparello & Self, P.A., Post Office Box 15579,
7 Tallahassee, Florida 32317, appearing on behalf of
8 Florida Public Utilities Company.

9 PATRICIA CHRISTENSEN, ESQUIRE, Office of
10 Public Counsel, c/o The Florida Legislature, 111 West
11 Madison Street, #812, Tallahassee, Florida 32399-1400,
12 appearing on behalf of the Citizens of the State of
13 Florida.

14 CECILIA BRADLEY, ESQUIRE, Office of the
15 Attorney General, The Capitol PL-01, Tallahassee,
16 Florida 32399-1050, appearing on behalf of the Citizens
17 of the State of Florida.

18 KATHERINE FLEMING, ESQUIRE, FPSC General
19 Counsel's Office, 2540 Shumard Oak Boulevard,
20 Tallahassee, Florida 32399-0850, appearing on behalf of
21 the Florida Public Service Commission Staff.

22 SAMANTHA CIBULA, ESQUIRE, FPSC General
23 Counsel's Office, 2540 Shumard Oak Boulevard,
24 Tallahassee, Florida 32399-0850, appearing as advisor to
25 the Commission.

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I N D E X

COMMENTS: PAGE NO.

JIM DEAN, City Manager 9

WITNESSES

NAME: PAGE NO.

THOMAS KAUFMANN
Prefiled Testimony Inserted 15

JAMES V. MESITE, JR.
Prefiled Testimony Inserted 26

CHRISTOPHER M. SNYDER
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CERTIFICATE OF REPORTER 58

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EXHIBITS

NUMBER:	ID.	ADMTD.
1 through 14	14	14

(A detailed description of exhibits can be found in Comprehensive Exhibit List.)

P R O C E E D I N G S

1
2 **CHAIRMAN CARTER:** Good morning to one and all.
3 I hope everyone had a great weekend as I did. I would
4 like to call this hearing to order. Staff, would you
5 please read the notice?

6 **MS. FLEMING:** Pursuant to notice issued by the
7 Commission Clerk, this time and place has been set for a
8 hearing in the following dockets: 090001-EI, 090002-EG,
9 090003-GU, 090004-GU and 090007-EI.

10 **CHAIRMAN CARTER:** Thank you. Let's take the
11 appearances of the parties and staff.

12 Mr. Butler.

13 **MR. BUTLER:** Thank you, Mr. Chairman. John
14 Butler appearing on behalf of Florida Power & Light
15 Company in the 01, 02 and 07 dockets. Wade Litchfield
16 is also appearing on behalf of FPL in the 01 and 07
17 and -- I'm sorry -- all three of those, the 01, 02 and
18 07, and then Ken Rubin is appearing in the 02 docket
19 only. Thank you.

20 **CHAIRMAN CARTER:** Mr. Beasley.

21 **MR. BEASLEY:** Good morning, Mr. Chairman.
22 James D. Beasley and Lee L. Willis, both of the law firm
23 of Ausley & McMullen, appearing on behalf of Tampa
24 Electric Company in the 01, 02 and 07 dockets.

25 **CHAIRMAN CARTER:** Okay.

1 **MR. BADDERS:** Good morning, Chairman. Russell
2 Badders. Along with me I have Jeffrey A. Stone and
3 Steven R. Griffin. We're appearing on behalf of Gulf
4 Power Company in the 01, 02 and 07 dockets.

5 **CHAIRMAN CARTER:** Okay. Next.

6 **MR. HORTON:** Good morning. Norman H. Horton,
7 Jr., with Messer, Caparello & Self appearing on behalf
8 of Florida Public Utilities in the 01, 02, 03 and 04
9 dockets, and Sebring Gas System in the 04 docket.

10 **CHAIRMAN CARTER:** Mr. Burnett.

11 **MR. BURNETT:** Good morning, Commissioners.
12 John Burnett on behalf of Progress Energy Florida in the
13 01, 02 and 07 docket, and Mr. Perko, Gary Perko in the
14 07 docket.

15 **CHAIRMAN CARTER:** Okay. Mr. McWhirter, good
16 morning.

17 **MR. McWHIRTER:** Good morning, Mr. Chairman.
18 I'm appearing on behalf of FIPUG in the 01, 02 and
19 07 dockets.

20 **CHAIRMAN CARTER:** Okay. Mr. Brew.

21 **MR. BREW:** Good morning, Mr. Chairman. I'm
22 James Brew appearing for White Springs Agricultural
23 Chemicals, PCS Phosphate, in the 01 and 02 dockets.

24 **CHAIRMAN CARTER:** Mr. Wright.

25 **MR. WRIGHT:** Good morning, Commissioners. I'm

1 Schef Wright and I'm representing the Florida Retail
2 Federation in the fuel docket, 0001, and Indiantown Gas
3 Company in the gas conservation cost recovery docket,
4 0004. Thank you.

5 **CHAIRMAN CARTER:** Ms. Christensen, good
6 morning.

7 **MS. CHRISTENSEN:** Good morning. I'm Patty
8 Christensen with the Office of Public Counsel, along
9 with Charlie Beck, and we are here in the 01, 02 and 07
10 dockets, and I'm appearing, Patty Christensen, in the 03
11 docket.

12 **CHAIRMAN CARTER:** Okay.

13 **MR. KEATING:** Good morning. Beth Keating,
14 Akerman, Senterfitt, here today for Florida City Gas in
15 the 03 and 04 dockets, and for Chesapeake Utilities in
16 the 04 docket.

17 **CHAIRMAN CARTER:** Ms. Bradley, good morning.

18 **MS. BRADLEY:** Good morning. Cecilia Bradley
19 on behalf of the Attorney General for the citizens of
20 Florida. Thank you.

21 **CHAIRMAN CARTER:** In all, in all of the
22 dockets; correct?

23 **MS. BRADLEY:** Yes, sir.

24 **CHAIRMAN CARTER:** Okay. Captain.

25 **MR. McWHIRTER:** I thought you opted out.

1 **CAPTAIN JUNGELS:** Captain Allan Jungels on
2 behalf of the Federal Executive Agencies in the 01 and
3 07 docket. Thank you.

4 **CHAIRMAN CARTER:** Thank you.

5 Before I go to staff, I want to make sure I
6 got all of the appearances of all of the parties. Did
7 we miss anyone from any of the parties?

8 Okay. Staff?

9 **MS. BENNETT:** Good morning, Commissioners.
10 I'm Lisa Bennett on behalf of staff, along with Erik
11 Sayler, Anna Williams and Keino Young in the 01 docket.

12 **CHAIRMAN CARTER:** Ms. Brown.

13 **MS. BROWN:** Mr. Chairman, Martha Carter Brown
14 and Anna Williams on behalf of the Commission in the 07
15 docket.

16 **CHAIRMAN CARTER:** Katherine, Ms. Fleming.

17 **MS. FLEMING:** Katherine Fleming on behalf of
18 the Commission on the 02, 03 and 04 dockets.

19 **CHAIRMAN CARTER:** Ms. Cibula.

20 **MS. CIBULA:** Samantha Cibula, advisor to the
21 Commission.

22 **CHAIRMAN CARTER:** Okay. So, staff, does that
23 cover all, all of the dockets? Okay. Okay. Thank you.

24 Staff, preliminary matters? Ms. -- who's on
25 first, Ms. Bennett or Ms. --

1 **MS. FLEMING:** Staff would just note for the
2 record that St. Joe Natural Gas Company and Peoples Gas
3 System have been excused from the hearing in the 03 and
4 04 dockets.

5 **CHAIRMAN CARTER:** Okay. Thank you.

6 Ms. Bennett.

7 **MS. BENNETT:** Prior to the commencement of the
8 proceedings, we have a representative from the City of
9 Marianna who would like to speak to the Commission in
10 the 01 docket.

11 **CHAIRMAN CARTER:** Okay. Good morning. We'll
12 give you an opportunity to speak. Ms. Bennett, did
13 you -- did she explain to you about our light system?

14 **MR. DEAN:** Yes, sir, she did.

15 **CHAIRMAN CARTER:** Okay. You're recognized.
16 Good morning, sir.

17 **MR. DEAN:** Good morning. My name is Jim Dean.
18 I'm the City Manager for the City of Marianna, Florida.
19 I also have here with me the Mayor for the City of
20 Marianna, Paul Donofro, Jr., and we're here as
21 representatives for the citizens of Marianna as it
22 relates to Florida Public Utilities.

23 The City of Marianna is a small community, as
24 probably most of you know, just to the west of you about
25 70 miles, approximately 6,200 people. We are served --

1 electricity is provided by Florida Public Utilities, and
2 the median household income for the City of Marianna is
3 approximately 22 to \$25,000 per household.

4 Of course, Florida Public Utilities provides
5 the electric service to the city. Over the past couple
6 of years the City of Marianna has gone through a number
7 of rate increases, approximately -- well, more than four
8 rate increases. The citizens of Marianna have, you
9 know, struggled with that, but we have survived. And
10 the reason for our appearance here today is to express
11 our concern and to ask the Commission to look very
12 closely at the rate increases proposed. Because of the
13 impact that it has on our citizens and the way the
14 economy is today, it is going to be, it is going to hurt
15 us further than what it has in the past. And we just
16 wanted to be here today and represent the citizens of
17 Marianna and express that to the Commission.

18 **CHAIRMAN CARTER:** Thank you very kindly. Did
19 the mayor wish to speak?

20 **MAYOR DONOFRO:** No, sir. I think he summed up
21 what we needed to say.

22 **CHAIRMAN CARTER:** Thank you all for coming
23 over. We sincerely appreciate that.

24 **COMMISSIONER EDGAR:** Mr. Dean, just a couple
25 of very quick questions. Welcome. Thank you for

1 coming.

2 **THE WITNESS:** Yes, ma'am.

3 **COMMISSIONER EDGAR:** Can you give us an idea,
4 if you know, what the unemployment rate is in the City
5 of Marianna?

6 **MR. DEAN:** The city, Jackson County, as you
7 may or may not know, has a, quite a few state and a
8 federal prison system. The unemployment rate is
9 approximately 3 to 4 percent, it's lower than the state,
10 but it is because of the large amount of state employees
11 that we have.

12 **COMMISSIONER EDGAR:** And can you speak at all,
13 either in your role as City Manager for the city
14 services or just for the general population as to the
15 service received from FPUC?

16 **MR. DEAN:** As far as the quality of service?

17 **COMMISSIONER EDGAR:** The quality of service,
18 customer service, that type of thing.

19 **MR. DEAN:** The quality of service is good.
20 The -- as everyone in this room probably knows, the
21 city, the utility services as it relates to water,
22 sewer, natural gas and electricity, because of state and
23 federal requirements and the mandates that are being
24 placed on small communities, not only in Marianna but
25 across the State of Florida, have gone up drastically

1 over the past few years. Most recent increases being
2 the fees and things of that nature that are being placed
3 upon the community by DEP as it relates to water and
4 sewer. And to meet those requirements, we have to, we
5 have to increase rates on other services. But the
6 amount and the number of increases for water, sewer and
7 natural gas in the city have only been one or two in the
8 past three to four, past five years.

9 **COMMISSIONER EDGAR:** Thank you.

10 **MR. DEAN:** Yes, ma'am.

11 **CHAIRMAN CARTER:** Commissioners, anything
12 further? I was going to probably give him a copy of my
13 resumé since in January I'll be looking, since they've
14 got a low unemployment rate over there.

15 Commissioner Argenziano.

16 (Laughter.)

17 **COMMISSIONER ARGENZIANO:** But you might not
18 like the salaries. I remember, remember those. Even
19 though there's a low, a low unemployment rate, you're
20 saying that the average -- did you say the average
21 salary was 22 to \$25,000 a year?

22 **MR. DEAN:** Yes, ma'am. Approximately.

23 **COMMISSIONER ARGENZIANO:** Even with the
24 corrections -- I mean that's a correction officer's
25 salary pretty much, isn't it?

1 **MR. DEAN:** Right. 22 to \$25,000 median
2 household income for the county, for the city and the
3 county.

4 **COMMISSIONER ARGENZIANO:** Okay. Thank you.

5 **CHAIRMAN CARTER:** At that rate I'd probably
6 need to get two jobs.

7 Okay. Let's proceed. Thank you so very
8 kindly. Do any of the parties have any questions for
9 the, on behalf of the City of -- okay. Thank you very
10 kindly. We appreciate that.

11 Staff, kind of tee it up. I know, I believe
12 that our order, Commissioner, Commissioners, our order
13 for the dockets would be 03, followed by 04, then, I'm
14 just going to use the last two digits 03, followed by
15 04, then 07, then 02 and then 01. Is that correct,
16 staff?

17 **MS. FLEMING:** Yes, that is correct.

18 **CHAIRMAN CARTER:** Okay. Any other preliminary
19 matters before we begin?

20 **MS. FLEMING:** I'm not aware of any other
21 preliminary matters.

22 **CHAIRMAN CARTER:** Okay. Well, let's go with
23 03. You're recognized.

24 **MS. FLEMING:** Good morning, Commissioners. As
25 we stated earlier, St. Joe Natural Gas Company and

1 Peoples Gas have been excused from the hearing in this
2 docket. There are proposed stipulations on all issues,
3 and all witnesses have been excused.

4 **CHAIRMAN CARTER:** Commissioners, are there any
5 questions for staff on the 03 docket? All of the issues
6 and matters in that case have been stipulated to. And
7 staff is recommending that we, we accept the proposed
8 stipulations. Is that correct, staff?

9 **MS. FLEMING:** That's correct. But before we
10 get to that point, staff will ask that the prefiled
11 testimony of the witnesses designated on Page 4 of the
12 Prehearing Order be moved into the record as though
13 read.

14 **CHAIRMAN CARTER:** The prefiled testimony of
15 the witnesses will be inserted into the record as though
16 read.

17 **MS. FLEMING:** In addition, we have provided
18 the Comprehensive Exhibit List which contains all the
19 prefiled testimony. Those are Exhibits 1 through 14.
20 Staff would ask that the exhibits be marked and moved
21 into the record.

22 **CHAIRMAN CARTER:** Without objection, show it
23 done.

24 (Exhibits 1 through 14 marked for
25 identification and admitted into the record.)

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF

3 THOMAS KAUFMANN

4 ON BEHALF OF FLORIDA CITY GAS

5 DOCKET NO. 090003-GU

6

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

8 A. My name is Thomas Kaufmann. My business address is
9 Elizabethtown Gas, 300 Connell Drive, Suite 3000, Berkeley
10 Heights, New Jersey 07922

11

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

13 A. I am currently employed as a Manager of Rates and Tariffs and
14 have responsibilities for Pivotal Utility Holdings, Inc's., Florida
15 operating division d/b/a Florida City Gas ("City Gas" or "the
16 Company").

17

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

20 A. In June 1977, I graduated from Rutgers University, Newark with
21 a Bachelor of Arts degree in Business Administration, majoring
22 in accounting and economics. In July 1979, I graduated from
23 Fairleigh Dickinson University, Madison with a Masters of

1 Business Administration, majoring in finance. My professional
2 responsibilities have encompassed financial analysis,
3 accounting, planning, and pricing in manufacturing and energy
4 services companies in both regulated and deregulated
5 industries. In 1977, I was employed by Allied Chemical Corp. as
6 a staff accountant. In 1980, I was employed by Celanese Corp.
7 as a financial analyst. In 1981, I was employed by Suburban
8 Propane as a Strategic Planning Analyst, promoted to Manager
9 of Rates and Pricing in 1986 and to Director of Acquisitions and
10 Business Analysis in 1990. In 1993, I was employed by
11 Concurrent Computer as a Manager, Pricing Administration. In
12 1996 I joined Pivotal Utility Holdings, Inc's., (formerly known as
13 NUI Utilities Inc.) as a Rate Analyst, was promoted to Manager
14 of Regulatory Support in August, 1997 and Manager of
15 Regulatory Affairs in February, 1998, and named Manager of
16 Rates and Tariffs in July 1998.

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 2008 through December, 2008 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 attached as Schedule A-7, and identified as Exhibit
5 ____ (TK-1).

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

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

15
16 Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE
17 COMPANY DURING THE TWELVE MONTHS ENDED
18 DECEMBER 31, 2008?

19 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
20 twelve months ended December 31, 2008 is \$44,933,532.

21

1 Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST
2 RECOVERED BY THE COMPANY DURING THE TWELVE
3 MONTHS ENDED DECEMBER 31, 2008?

4 A. The Company recovered \$43,007,282.
5

6 Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE
7 TWELVE MONTHS ENDED DECEMBER 31, 2008?

8 A. The actual true-up amount, including adjustments, margin
9 sharing and interest, is a under-recovery of \$1,054,816.
10

11 Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT
12 AMOUNT?

13 A. Yes. As shown on Schedule A-7, the total fuel revenues for the
14 period are \$43,007,282 and the total fuel cost is \$44,933,532.
15 The difference between the fuel cost and fuel recoveries is an
16 under-recovery of \$1,926,250. This under-recovery is
17 decreased by an adjustment of \$841,253 for margin sharing and
18 the interest provision, during the period, of \$29,881. The sum of
19 these, inclusive of any rounding, is a under-recovery of
20 \$1,054,816.
21

1 Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE
2 JANUARY 2008 THROUGH DECEMBER 2008 PERIOD TO BE
3 INCLUDED IN THE 2009 PROJECTION?

4 A. The final true-up amount for the period of January 2008 through
5 December 2008 to be included in the 2009 projection is an over-
6 recovery \$1,404,419. This is the difference between the
7 estimated over-recovery of \$349,603 that is included in the
8 current cost recovery factor being collected during 2009 and the
9 actual under-recovery of \$1,054,816.

10

11 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DIRECT TESTIMONY OF

3 THOMAS KAUFMANN

4 ON BEHALF OF FLORIDA CITY GAS

5 DOCKET NO. 090003-GU

6 September 11, 2009

7

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

9 A. My name is Thomas Kaufmann. My business address is Elizabethtown
10 Gas, One 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 and Tariffs and have
13 responsibilities for Florida City Gas ("City Gas" or "the Company").

14 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
15 **EMPLOYMENT EXPERIENCE.**

16 A. In June 1977, I graduated from Rutgers University, Newark, N.J.,
17 with a Bachelor of Arts degree in Business Administration, majoring
18 in accounting and economics. In July 1979, I graduated from
19 Fairleigh Dickinson University, Madison, N.J., with a Masters of
20 Business Administration, majoring in finance. My professional
21 responsibilities have encompassed financial analysis, accounting,
22 planning, and pricing in manufacturing and energy services
23 companies in both regulated and deregulated industries. In 1977, I
24 was employed by Allied Chemical Corp. as a staff accountant. In

Docket No. 090003-GU
September 11, 2009

1 1980, I was employed by Celanese Corp. as a financial analyst. In
2 1981, I was employed by Suburban Propane as a Strategic
3 Planning Analyst, promoted to Manager of Rates and Pricing in
4 1986 and to Director of Acquisitions and Business Analysis in 1990.
5 In 1993, I was employed by Concurrent Computer as a Manager,
6 Pricing Administration. In 1996 I joined NUI as a Rate Analyst, was
7 promoted to Manager of Regulatory Support in August, 1997 and
8 Manager of Regulatory Affairs in February, 1998, and named
9 Manager of Rates and Tariffs in July 1998.

10 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.**

11 A. The purpose of my testimony is to present the revised estimate of
12 the Company's projection of gas costs for the period August 2009
13 through December 2009 and the Company's projection of gas costs
14 for the period January 2010 through December 2010. In addition I
15 will present the development of the maximum rate to be charged to
16 customers for the period January 2010 through December 2010.

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

19 A. Yes. The forms prescribed by the Commission are being filed at
20 this time. Copies are attached to my testimony as Exhibit __ (TK-2).

21

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

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

16 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**
17 **AS PROJECTED?**

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

21 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
22 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN**
23 **ESTIMATED AND ACTUAL COSTS?**

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September 11, 2009

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

6 **Q. ARE ANY FLORIDA GAS TRANSMSSION (FGT) RATE**
7 **CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**
8 **FILING?**

9 A. No, the FGT rates used in the preparation of this filing are those in
10 effect on September 1, 2009

11

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

14 A. Yes. Schedule E-1 shows the projected period, January 2010
15 through December 2010. For 2010, the Company estimates the
16 gas purchases for resale will be 44,831,006 therms (Line 15) at a
17 total cost of \$41,215,731 (Line 11) with a resulting WACOG of
18 91.936 cents per therm (Line 40) before the application of the true-
19 up factor and the regulatory assessment fee. Schedule E-4 shows
20 the difference between the estimated actual and actual true-up for
21 the prior period, January 2008 through December 2008, is an
22 under-recovery of \$1,404,419 (Column 3, Line 4). The projected
23 true-up for the current period, January 2009 through December
24 2009, is an over-recovery of \$1,472,219 (Column 4, line 4). The

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1 total true-up as shown on Schedule E-4 is an over-recovery of
2 \$67,800 for a true-up refund factor of 0.151 cents per therm that
3 would be applied during the projected period (Schedule E-1, Line
4 41). This true-up factor decreases the gas cost factor during the
5 projected period to 91.785 cents per therm (Line 42) before the
6 regulatory assessment fee. With the regulatory assessment fee
7 added, the PGA factor is .92247 cents per therm (Line 44) based on
8 the average of the winter and summer seasons.

9

10 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
11 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
12 **THE PGA CAP IN 2010?**

13 **A.** No. As shown on Schedule E-1 (winter), City Gas has chosen to
14 establish a maximum levelized purchased gas factor based on the
15 Company's expected winter cost of gas as follows:

16

Winter Average

17	Total Cost (Line 11)	\$24,720,636
18	Total Therm Sales (Line 27)	25,699,945
19	(Line 11/ Line 27)	\$0.96189
20	True-up	(\$0.00151)
21	Before Regulatory Assessment	\$0.96038
22	Revenue Tax Factor	1.00503
23	Purchased Gas Factor	\$.96521

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1 As shown above, the maximum levelized purchased gas factor
2 based on the Company's expected winter cost of gas is 96.038
3 cents per therm before the regulatory assessment fee and 96.521
4 cents per therm after the regulatory assessment fee. If approved by
5 the Commission, 96.521 cents per therm would be the maximum
6 gas cost factor that City Gas may charge its customers for the
7 period January 2010 through December 2010.

8

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

10 **A. Yes, it does.**

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 090003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR**

**Direct Testimony of
James V. Mesite, Jr.
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. James V. Mesite, Jr., 401 South Dixie Highway, West Palm Beach, FL
3 33401.

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

5 A. I am employed by Florida Public Utilities Company as the Senior Project
6 Accountant.

7 Q. What is the purpose of your testimony at this time?

8 A. To advise the Commission of the actual over/under recovery of the
9 Purchased Gas Adjustment for the period January 1, 2008 through
10 December 31, 2008, as compared to the true-up amount previously
11 reported for that period which was based on seven months actual and five
12 months estimated.

13 Q. Please state the actual amount of over/under recovery of the Purchased
14 Gas Adjustment for January 1, 2008 through December 31, 2008.

- 1 A. During January 2008 through December 2008, FPUC overrecovered
2 \$1,583,066.
- 3 Q. How does this amount compare with the estimated true-up amount, which
4 was allowed by the Commission during the November 2008 hearing?
- 5 A. As of December 31, 2008, FPUC had estimated an overrecovery of
6 \$3,273,997.
- 7 Q. Have you prepared any exhibits at this time?
- 8 A. We prepared and pre-filed composite Exhibit JVM-1, containing
9 Schedule A-7, Final Fuel Over/Under Recovery for the Period January
10 2008 through December 2008.
- 11 Q. Does this conclude your testimony?
- 12 A. Yes

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 090003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
James V. Mesite, Jr.
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. James V. Mesite, Jr., 401 South Dixie Highway, West
3 Palm Beach, FL 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
10 computations which are contained in composite
11 exhibit JVM-2 which supports the January 2010
12 through December 2010 projected purchased gas
13 adjustments for our consolidated gas division. In
14 addition, I will advise the Commission of the
15 projected differences between the revenues collected
16 and the purchased gas costs allowed in developing
17 the levelized purchased gas adjustment for the

1 periods January 2008 through December 2008, and
2 January 2009 through December 2009. From these
3 periods, I will establish a "true-up" amount to be
4 collected or refunded during January 2010 through
5 December 2010.

6 Q. Were the schedules filed by your Company completed
7 under your direction?

8 A. Yes.

9 Q. Which of the Staff's set of schedules has your
10 company completed and filed?

11 A. We have prepared and previously filed True-Up
12 schedules A-1, A-2, A-3, A-4, A-5, and A-6, in
13 addition to filing composite exhibit JVM-2 which
14 contains Schedules E1, E-1/R, E2, E3, E4, and E5 for
15 our consolidated gas division. These schedules
16 support the calculation of the purchase gas
17 adjustment factors for January 2010 through
18 December 2010.

19 Q. What is the appropriate final purchased gas
20 adjustment true-up amount for the period
21 January 2008 through December 2008?

22 A. The final purchased gas adjustment true-up amount
23 for the period January 2008 through December 2008 is
24 an under-recovery of \$1,690,931.

25 Q. What is the estimated purchased gas adjustment true-

- 1 up amount for the period January 2009 through
2 December 2009?
- 3 A. We have estimated that we will have an over-recovery
4 of \$2,518,720 for the period January 2009 - December
5 2009.
- 6 Q. What is the total purchased gas adjustment true-up
7 amount to be refunded during the period January 2010
8 through December 2010?
- 9 A. The total net over-recovery to be refunded during
10 the period January 2010 - December 2010 is \$827,789.
- 11 Q. What is the appropriate levelized purchased gas
12 adjustment recovery (cap) factor for the period
13 January 2010 through December 2010?
- 14 A. The 2010 Purchased Gas Cost Recovery Factor will be
15 a maximum of 156.036¢ per therm.
- 16 Q. What should be the effective date of the new
17 purchased gas adjustment charge for billing
18 purposes?
- 19 A. The factor should be effective for all meter
20 readings on or after January 1, 2010, beginning with
21 the first applicable billing cycle for the period
22 January 2010 through December 2010.
- 23 Q. Does this conclude your testimony?
- 24 A. Yes.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 090003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
Christopher M. Snyder
on Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Christopher M. Snyder, 401 South Dixie Highway, West
3 Palm Beach, FL 33402.
- 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 Energy Logistics Manager.
- 7 Q. How long have you been employed by FPU?
- 8 A. Since July 1991.
- 9 Q. Have you previously testified before this Commission?
- 10 A. Yes, I testified in the Company's Purchased Gas Cost
11 Recovery Factor Docket Number 070003-GU and Docket
12 Number 080003-GU.
- 13 Q. What are the subject matters of your testimony in this
14 proceeding?
- 15 A. My testimony will relate to two (2) specific matters:
16 the forecast of the pipeline charges and the forecast
17 of commodity costs of natural gas to be purchased by
18 the Company.
- 19 Q. What is the projection period for this filing?

- 1 A. The projection period is January 2010 through December
2 2010.
- 3 Q. Please describe how the forecasts of pipeline charges
4 and commodity costs of gas were developed for the
5 projection period.
- 6 A. The purchases for the gas cost projection model were
7 based on projected sales to bundled and unbundled
8 customers. Florida Gas Transmission Company's (FGT)
9 FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges
10 (including surcharges) and fuel rates, at the time the
11 projections were made, were used for the entire
12 projection period. The expected cost of natural gas
13 purchased by FPU and delivered to FGT, for
14 transportation to the Company and for FGT's fuel use
15 factor, during the projection period was developed
16 using the maximum New York Mercantile Exchange (NYMEX)
17 natural gas futures settlement prices for the
18 historical period of June 1992 through present. The
19 forecasts of the commodity cost of gas also takes into
20 account the average basis differential between the
21 NYMEX projections and historic cash markets as well as
22 premiums and discounts, by zone, for term gas
23 supplies.
- 24 Q. Please describe how the forecasts of the weighted
25 average costs of gas were developed for the projection

1 period.

2 A. FPU's sales to traditional non-transportation firm and
3 interruptible customers were allocated all of the
4 monthly pipeline demand costs, less the cost of
5 capacity temporarily relinquished to pool managers for
6 the accounts of unbundled customers, and were
7 allocated all of the relevant projected pipeline and
8 supplier commodity costs. The sum of these costs were
9 divided by the projected sales level to said customers
10 resulting in the projected weighted average cost of
11 gas for traditional non-transportation firm customers
12 and interruptible customers and ultimately the
13 Purchased Gas Cost Recovery Factor (PGCRF) shown on
14 Schedule E-1. Capacity shortfalls, if any, would be
15 satisfied with the most economic dispatch combination
16 of acquired capacity relinquished by another FGT
17 shipper and/or gas and capacity repackaged and
18 delivered by another FGT capacity holder. Obviously,
19 if other services become available and it is more
20 economic to dispatch supplies under those services,
21 the Company will utilize those services as part of its
22 portfolio.

23 Q. Does this conclude your prepared direct testimony?

24 A. Yes.

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

2 A. My name is W. Edward Elliott. My business address is 702 N. Franklin
3 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 System ("Peoples").

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND
7 AND PROFESSIONAL QUALIFICATIONS.**

8 A. I graduated from the University of South Florida in 1972 with the degree
9 of Bachelor of Arts in Accounting. I have over 21 years of experience in
10 the utility field.

11 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES IN YOUR
12 CURRENT POSITION WITH PEOPLES?**

13 A. As Manager of Gas Accounting, I am responsible for recording the
14 Company's cost of gas.

15 **Q. HAVE YOU PREVIOUSLY PREPARED TESTIMONY IN
16 REGULATORY PROCEEDINGS?**

17 A. I have filed prepared direct testimony in previous Purchased Gas
18 Adjustment proceedings.

19 **Q. HAVE YOU PREPARED OR CAUSED TO BE PREPARED
20 CERTAIN SCHEDULES FOR USE IN THIS PROCEEDING?**

21 A. Yes. As Composite Exhibit EE-1, I sponsored preparation of the
22 following schedule with respect to the final true-up for the period January
23 2008 through December 2008: A-7 – Final fuel over (under) recovery.

24 **Q. WHAT WAS PEOPLES' COST OF GAS TO BE RECOVERED
25 THROUGH THE PGA CLAUSE FOR THE PERIOD JANUARY**

1 **2008 THROUGH DECEMBER 2008?**

2 A. As shown on Schedule A-7 in EE-1, the cost of gas purchased, adjusted
3 for company use, was \$470,920,270.

4 **Q. WHAT WAS THE AMOUNT OF GAS REVENUE COLLECTED**
5 **FOR THE PERIOD JANUARY 2008 THROUGH DECEMBER**
6 **2008?**

7 A. The amount of gas revenue collected to cover the cost of gas was
8 \$473,421,601.

9 **Q. WHAT WAS THE FINAL TRUE-UP AMOUNT FOR THE PERIOD**
10 **JANUARY 2008 THROUGH DECEMBER 2008?**

11 A. The final true-up amount for the period, including interest and
12 adjustments, is an over-recovery of \$2,546,805.

13 **Q. IS THIS AMOUNT NET OF THE ESTIMATED TRUE-UP FOR**
14 **THE PERIOD JANUARY 2008 THROUGH DECEMBER 2008,**
15 **WHICH WAS INCLUDED IN THE JANUARY 2009 THROUGH**
16 **DECEMBER 2009 PGA FACTOR CALCULATION?**

17 A. No. The final true-up net of the estimated true-up for the period January
18 2008 through December 2008 is an under-recovery of \$31,478.

19 **Q. IS THIS THE FINAL UNDER-RECOVERY AMOUNT TO BE**
20 **INCLUDED IN THE JANUARY 2010 THROUGH DECEMBER**
21 **2010 PROJECTION?**

22 A. Yes.

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

24 A. Yes.

25

1 Q. Please state your name and business address.

2

3 A. My name is W. Edward Elliott. My business address is 702
4 N. Franklin Street, P. O. Box 2562, Tampa, Florida 33601-
5 2562.

6

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

8

9 A. I am Manager of Gas Accounting for Peoples Gas System
10 ("Peoples" or "Company"), a division of Tampa Electric
11 Company.

12

13 Q. Please summarize your educational background and
14 professional qualifications.

15

16 A. I graduated from the University of South Florida in 1972
17 with the degree of Bachelor of Arts in Accounting. I
18 have over 21 years of experience in the utility field.

19

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

22

23 A. As Manager of Gas Accounting, I am responsible for
24 recording the Company's costs for natural gas and
25 upstream pipeline capacity and preparing filings

1 associated with the recovery of these costs through the
2 Purchased Gas Adjustment ("PGA").

3
4 **Q.** Have you previously testified in regulatory proceedings
5 before this Commission?

6
7 **A.** Yes. I have submitted testimony on several occasions
8 supporting Peoples' Purchased Gas Adjustment.

9
10 **Q.** What is the purpose of your testimony in this docket?

11
12 **A.** The purpose of my testimony is to describe generally the
13 components of Peoples' cost of purchased gas and upstream
14 pipeline capacity. In my testimony, I also explain how
15 Peoples' projected weighted average cost of gas ("WACOG")
16 for the January 2010 through December 2010 period was
17 determined and the resulting requested maximum PGA
18 ("Cap").

19
20 **Q.** Please summarize your testimony.

21
22 **A.** I will address the following areas:

23
24 1. How Peoples will obtain its gas supplies during
25 the projected period.

- 1 2. Estimates and adjustments used to determine the
2 amount of gas to be purchased from Peoples'
3 various available sources of supply during the
4 projected period.
- 5 3. Projections and assumptions used to estimate the
6 purchase price to be paid by Peoples for such gas
7 supplies.
- 8 4. The components and assumptions used to develop
9 Peoples' projected WACOG including the projected
10 true-up balance to be collected or refunded.
- 11
- 12 **Q.** What is the appropriate final purchased gas adjustment
13 true-up amount for the period January 2008 through
14 December 2008?
- 15
- 16 **A.** The final PGA true-up amount for the year 2008 is an
17 underrecovery of \$31,478.
- 18
- 19 **Q.** What is the estimated purchased gas adjustment true-up
20 amount for the period January 2009 through December 2009?
- 21
- 22 **A.** The estimated PGA true-up amount for 2009 is an
23 overrecovery of \$2,153,153.
- 24
- 25 **Q.** What is the total purchased gas adjustment true-up amount

1 to be collected during the period January 2010 through
2 December 2010?

3
4 **A.** The total PGA true-up amount to be refunded in 2010 is an
5 overrecovery of \$2,121,675.

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

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

12
13 **Q.** Please describe how Peoples will obtain its gas supplies
14 during the projected period of January 2010 through
15 December 2010.

16
17 **A.** All natural gas delivered through Peoples' distribution
18 system is received through three interstate pipelines.
19 Gas is delivered through Florida Gas Transmission Company
20 ("FGT"), through Southern Natural Gas Company
21 ("Southern") in Peoples' Jacksonville Division, and
22 through Gulfstream Natural Gas System ("Gulfstream") in
23 Peoples' Lakeland, Tampa, and Orlando Divisions.
24 Receiving gas supply through multiple interstate
25 pipelines provides valuable flexibility and reliability

1 to serve customers.

2

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

5

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

22

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

1 demand for gas on the Peoples system can often vary
2 dramatically within a month from the lowest to the highest
3 requirement of its customers. In addition, Peoples'
4 transportation throughput will continue to increase during
5 the projected period as approximately 267 customers per
6 month are continuing to transfer from sales service to
7 transportation service under the NaturalChoice program.
8 The actual takes of gas out of the Peoples system by those
9 same transporting customers varies significantly from day
10 to day. Since significant portions of the total
11 transportation volumes are received by Peoples at a
12 uniform daily rate, Peoples is forced to increase or
13 decrease the volumes purchased for its own system supply
14 by significant increments in order to maintain a balance
15 between receipts and deliveries of gas each day. As a
16 consequence, Peoples must buy a portion of its total
17 system requirements under swing contract arrangements, and
18 meet extreme variations in delivered volumes by relying on
19 swing gas, peaking gas, pipeline balancing volumes and
20 pipeline no notice service at the prevailing rates for
21 such services.

22
23 Q. How did Peoples estimate the amount of gas to be
24 purchased from various sources during the projected
25 period of January 2010 through December 2010?

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A. Peoples' projected gas purchases are based on the Company's preliminary total throughput of therms delivered to customers projected for 2010, including both sales of Peoples' system supply and transportation deliveries of third party gas purchased by end-users of Peoples. The throughput was then adjusted for the anticipated level of transportation service, including the anticipated conversions under the Company's NaturalChoice program.

Q. How are revenues derived from Peoples' Swing Service Charge accounted for through the PGA?

A. Customers who participate in the NaturalChoice program pay a Swing Service Charge. The Swing Service Charge covers costs included in the PGA for balancing the difference between marketer-supplied gas and the customers' actual consumption. The revenues from the Swing Service Charge are credited to the PGA to offset this expense.

Q. Is Peoples seeking a change in the Swing Service Charge?

A. Not at this time. However, to the extent a portion of

1 the swing costs are assigned to the PGA, Peoples may seek
2 to readdress its Swing Service Charge expenses and the
3 allocation thereof in a subsequent docket before the
4 Commission. This is because on November 1, 2009, Peoples
5 will begin its tenth year of making transportation
6 service available to all non-residential customers
7 pursuant to Commission Order No. PSC-00-1814-TRF-GU,
8 issued October 4, 2000. Over the past nine years, both
9 the number of transportation customers and the volumes of
10 natural gas tendered to Peoples for transportation have
11 increased dramatically. This continued migration has
12 increased the amount of natural gas the Company purchases
13 on a swing basis to cover all customers' seasonal,
14 weekly, and daily peaks. In addition to the increase in
15 the quantity of natural gas supply purchased for Swing
16 Service, the cost of natural gas supply has increased
17 significantly since the inception of Peoples'
18 NaturalChoice Program. Therefore, the increased expenses
19 associated with the provision of Swing Service may need
20 to be recalculated and allocated based on current costs
21 and transportation service levels.

22
23 Q. How did you estimate the purchase price to be paid by
24 Peoples for each of its available sources of gas supply?
25

1 **A.** The price to be paid for natural gas is estimated based
2 on an evaluation of historical prices for gas delivered
3 to the FGT, Southern, and Gulfstream systems, futures
4 contracts as reported on the New York Mercantile Exchange
5 and forecasts of market prices for the projection period
6 of January 2010 through December 2010. These prices are
7 then adjusted to reflect the potential for implied
8 volatility increases and unexpected and unforeseen
9 increases due to market forces particularly in the
10 monthly and daily markets for natural gas prices in the
11 projection period.

12
13 **Q.** Referring to Schedules E-3 (A) through (G) of Composite
14 Exhibit EE-2, please explain the components of these
15 schedules and the assumptions that were made in
16 developing the Company's projections.

17
18 **A.** Schedule E-3 (G) is a compilation of the monthly data
19 that appears on Schedules E-3 (A) through (F) for the
20 corresponding months of January 2010 through December
21 2010. In Schedules E-3 (A) through (F), Column (A)
22 indicates the applicable month for all data on the page.

23 In Column (B), "FGT" indicates that the volumes
24 are to be purchased from third party suppliers for
25 delivery via FGT interstate pipeline transportation.

1 "SOUTHERN" indicates that the volumes are to be
2 purchased from a third party supplier for delivery via
3 Southern interstate pipeline transportation.
4 "GULFSTREAM" indicates that the volumes are to be
5 purchased from a third party supplier for delivery via
6 Gulfstream interstate pipeline transportation. "THIRD
7 PARTY" indicates that the volumes are to be purchased
8 directly from various third party suppliers for
9 delivery into FGT, Southern, or Gulfstream.

10 In Column (C), "PGS" means the purchase will be for
11 Peoples' system supply and will become part of Peoples'
12 total WACOG. None of the costs of gas or transportation
13 for end-use purchases made by end-use customers of
14 Peoples are included in Peoples' WACOG. In Column (D),
15 purchases of pipeline transportation services from FGT
16 under Rate Schedules FTS-1 and FTS-2 are split into two
17 components, commodity (or "usage") and demand (or
18 "reservation"). Both Peoples and end-users pay the usage
19 charge based on the actual amount of gas transported.
20 The FTS-1 and FTS-2 commodity costs shown include all
21 related transportation charges including usage, fuel and
22 ACA charges. The FTS-1 and FTS-2 demand component is a
23 fixed charge based on the maximum daily quantity of FTS-1
24 and FTS-2 firm transportation capacity reserved.
25 Similarly, the transportation rates of Southern and

1 Gulfstream also consist of two components, a usage charge
2 and a reservation charge. Individual Transportation
3 Service customers reimburse Peoples or directly pay FGT
4 for all pipeline reservation charges associated with the
5 transportation capacity that Peoples reserves and uses on
6 their behalf.

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

17 Column (E) shows the monthly quantity in therms of
18 gas purchased by Peoples for each category of system
19 supply.

20 Column (F) shows the gas purchased by end-users for
21 transportation.

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

24 Columns (H), (I), (J) and (K) show the corresponding
25 third party supplier commodity costs, pipeline

1 transportation commodity costs, pipeline transportation
2 reservation costs, and other charges (e.g., balancing
3 charges), respectively. These costs are determined using
4 the actual amounts paid by Peoples. In the case of end-
5 user transportation, these costs are reimbursed to
6 Peoples or paid directly to FGT. All ACA, capital
7 surcharge and fuel charges are included in the commodity
8 costs in Column (I) and, therefore, are not shown in
9 Column (K).

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

12
13 **Q.** Please explain the components of these schedules and the
14 assumptions that were made in developing the Company's
15 projections.

16
17 **A.** Schedule E-1 is shown in three versions. Page 1 relates
18 to Cost of Gas Purchased, Therms Purchased, and Cents Per
19 Therm for Combined Rate Classes, Page 2 relates to
20 Residential Customers, and Page 3 relates to Commercial
21 Customers.

22 The costs associated with various categories or
23 items are shown on lines 1 through 14. Line 6 on Schedule
24 E-1 includes legal expenses associated with various
25 interstate pipeline dockets such as tariff filings,

1 seasonal fuel filings, certification proceedings and a
2 FGT rate case proceeding scheduled to begin in late 2009
3 and continue into 2010. Peoples has begun the process
4 of engaging legal counsel and consultants who will serve
5 as representatives and expert witnesses in this pipeline
6 rate case. These expenses have been included for
7 recovery through the Purchased Gas Adjustment Clause
8 because they are fuel related expenses. The volumes
9 consumed for similar categories or items are shown on
10 lines 15 through 27, and the resulting effective cost per
11 therm rate for each similar category or item is contained
12 on lines 28 through 45.

13 The data shown on Schedule E-1 are taken directly
14 from Schedules E-3 (A) through (F) for the months of
15 January 2010 through December 2010.

16
17 **Q.** What information is presented on Schedule E-1/R of
18 Composite Exhibit EE-2?

19
20 **A.** Schedule E-1/R of Composite Exhibit EE-2 shows eight
21 months actual and four months estimated data for the
22 current period from January 2009 through December 2009
23 for all combined customer classes.

24
25 **Q.** What information is presented on Schedule E-2 of

1 Composite Exhibit EE-2?

2

3 **A.** Schedule E-2 of Composite Exhibit EE-2 shows the amount
4 of the prior period over/under recoveries of gas costs
5 that are included in the current PGA calculation.

6

7 **Q.** What is the purpose of Schedule E-4 of Composite Exhibit
8 EE-2?

9

10 **A.** Schedule E-4 of Composite Exhibit EE-2 simply shows the
11 calculation of the estimated true-up amount for the
12 January 2009 through December 2009 period. It is based
13 on actual data for eight months and projected data for
14 four months.

15

16 **Q.** What information is contained on Schedule E-5 of
17 Composite Exhibit EE-2?

18

19 **A.** Schedule E-5 of Composite Exhibit EE-2 is statistical
20 data that includes the projected therm sales and
21 numbers of customers by customer class for the period
22 from January 2010 through December 2010.

23

24 **Q.** How have you incorporated the Residential PGA factor
25 and the Commercial PGA factor in the derivation of the

1 PGA cap for which the company seeks approval?
2

3 **A.** On April 5, 1998, the Commission issued Order No. PSC-99-
4 0634-FOF-GU as a Proposed Agency Action in Docket No.
5 981698-GU. This Order approved Peoples Gas' request for
6 approval of a methodology for charging separate Purchased
7 Gas Adjustment factors for different customer classes.
8 Under the approved methodology, separate PGA factors are
9 derived by assigning the fixed, interstate pipeline
10 reservation costs to each customer class according to the
11 class' contribution to the company's peak month demand
12 for the winter season and the summer season. Exhibit EE-
13 2, Page 23 of 23, labeled Attachment, contains the
14 seasonal peak allocation factors based on the most recent
15 peak month data available, February 2009 and April 2009.
16 These allocation factors are then applied to Schedule E-1
17 to derive the Residential, Commercial and Combined for
18 All Rate Classes. The WACOG for which Peoples seeks
19 approval as the annual cap is the Residential factor of
20 \$1.19468 per therm as shown in Schedule E-1. This annual
21 cap will be applicable to all rate classes.

22
23 **Q.** Does this conclude your testimony?
24

25 **A.** Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

1
2
3 In Re: Purchased Gas Recovery)
4 _____)

Docket No. 090003-GU
Submitted for filing
April 30, 2009

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 2008 through December 2008.

16 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 2008 through December 2008.
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 2008 - December 2008

2 Q. What were the total therm sales for the period January
3 2008 through December 2008?

4 A. Total therm sales were 1,099,728 therms.

5 Q. What were total therm purchases for the period January
6 2008 through December 2008?

7 A. Total therm purchases were 965,300.

8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2008 through December 2008?

10 A. The cost of gas purchased for January 2008 through
11 December 2008 was \$1,103,282.78.

12 Q. What was the amount of gas revenue collected for the
13 period January 2008 through December 2008?

14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$1,146,994.23.

16 Q. What is the total true-up provision for the period
17 January 2008 through December 2008?

18 A. The total true-up provision, including interest, is an
19 over-recovery of \$46,430.38 for the period.

20 Q. What is the amount of estimated true-up included for
21 January 2008 thru December 2008 in the January 2009
22 through December 2009 PGA factor calculation?

23 A. The amount of estimated true-up for the period January
24 thru December 2008 included in the January 2009 through
25 December 2009 PGA factor calculation was an over-

1 recovery of \$8,718.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2008 period to be included in the
4 January 2010 through December 2010 projection?

5 A. The final over-recovery for the current period to be
6 included in the January 2010 through December 2010
7 projection is \$37,712.38.

8 Q. Does this conclude your testimony?

9 A. Yes

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1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2010 through December 31, 2010?

3 A. 75.10 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 **MS. FLEMING:** And now, Commissioners, for your
2 reference the proposed stipulations are identified on
3 Pages 5 and 6 of the Prehearing Order.

4 **CHAIRMAN CARTER:** Are there any questions,
5 Commissioners, on -- the docket 03, the Pages 5 and 6 is
6 where the -- let me turn my page here -- of the
7 Prehearing Order is where the issues have been presented
8 and they have been stipulated to. Are there any
9 questions? Commissioner Skop.

10 **COMMISSIONER SKOP:** Thank you, Mr. Chair. If
11 there are no questions, I would move to adopt the
12 stipulated issues 1 through 5 in the 03 docket.

13 **CHAIRMAN CARTER:** Can we get a second on that?

14 **COMMISSIONER EDGAR:** Second.

15 **CHAIRMAN CARTER:** Okay. Commissioners, it's
16 been moved and properly seconded. Any discussion? Any
17 questions? Any debate? Hearing none, it's been moved
18 and properly seconded. All in favor, let it be known by
19 the sign of aye.

20 (Simultaneous vote.)

21 All those opposed, like sign. Show it done.

22 Thank you, staff.

23 **COMMISSIONER EDGAR:** I meant to say aye. I'm
24 sorry. I was a little slow, so.

25 **MS. FLEMING:** And staff would just note that

1 the order will be issued by --

2 **COMMISSIONER EDGAR:** I'm still asleep I think.

3 Aye.

4 (Laughter.)

5 **CHAIRMAN CARTER:** It's Monday. Okay. So

6 unanimous on 003.

7 **MS. FLEMING:** Yes. And the order will be

8 issued by December 1st.

9 **CHAIRMAN CARTER:** The order will be issued by
10 December 1st. Thank you, staff.

11 (Docket concluded.)

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STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 6th day of November, 2009.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
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