



MESSER CAPARELLO & SELF, P.A.

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April 5, 2011

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 090539-GU

Dear Ms. Cole:

Enclosed for filing on behalf of Florida City Gas in the above referenced docket is an original and fifteen copies of the following documents:

- 1, Revised Direct Testimony of Carolyn Bermudez, pages 12 and 15; and 02281-11
2, Revised Rebuttal Testimony of Carolyn Bermudez, pages 2 and 7. 02282-11

Enclosed are clean copies of the new revised pages as well as the corresponding pages in track changes that are being provided only for informational purposes.

Also enclosed are the following new exhibits for Carolyn Bermudez Direct and Rebuttal Testimony:

- Direct Exhibit CB-2 Supplemental } 02283-11
Direct Exhibit CB-3 Supplemental }
Direct Exhibit CB-4 Revised }
Rebuttal Exhibit CB-6 Revised 02284-11

The two supplemental exhibits are being provided in addition to the original exhibits and the two revised exhibits are to be substituted for those that were originally filed.

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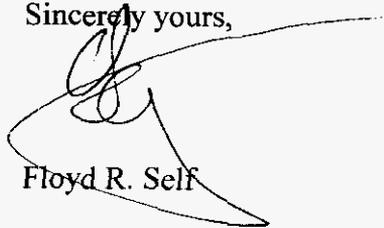
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FPSC-COMMISSION CLERK

Ms. Ann Cole
April 5, 2011
Page 2

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Floyd R. Self", written over a horizontal line. The signature is stylized and cursive.

Floyd R. Self

FRS/amb
Enclosure
cc: Shannon O. Pierce, Esq.
Parties of Record

CERTIFICATE OF SERVICE

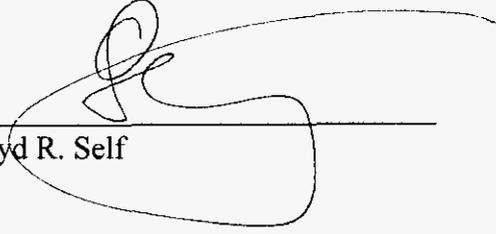
I HEREBY CERTIFY that a true and correct copy of the foregoing has been served on the following parties by Electronic Mail and/or U.S. Mail this 5th day of April, 2011.

Anna Williams, Esq.
Martha Brown, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Mr. Melvin Williams
Florida City Gas
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Miami-Dade County
111 NW First Street, Suite 2800
Miami, FL 33128-1993



Floyd R. Self

1 testimony as Exhibit ___ (CB-2, Backup to "Attachment 1") is the detailed
2 worksheet which includes the back up to the "Attachment 1" numbers, and for
3 purposes of this discussion, I will refer to this detailed worksheet. The first page
4 of Exhibit __ (CB-2) reflects the same information on the original "Attachment 1"
5 plus some of the backup calculations. Column B of page 1 reflects the various
6 components of the methodology. Column C reflects a 1999 Rate Design analysis
7 and Column D reflects a November 2008 Surveillance Report Design analysis.
8 Columns E through M reflect the detail for the information contained in Column
9 D. Pages 2 and 3 of this exhibit are the November 2008 surveillance report data.

10 **Q. What does the 1999 Rate Design (Column C) column reflect?**

11 A. This column reflects 1997 analysis performed by the NUI Marketing group that
12 was later found in the files. At the time I believed this reflected the original cost
13 of the Orr and Hialeah plants.

14 **Q. What does the November 2008 Surveillance Report Design (Column D)**
15 **reflect?**

16 A. Column D reflects the November 2008 surveillance report data for O&M
17 Expenses (Rows 10 for Alexander Orr and Row 37 for Hialeah and Black
18 Point/South Dade), Depreciation (Rows 12 and 39), Taxes Other than Income
19 (Rows 14 and 41), State Taxes (Rows 16 and 43), and Federal Taxes (Rows 18
20 and 45) numbers multiplied by the cost of service allocation factor, 0.004842
21 (Column H), approved by the Commission in our last rate case for the class of
22 service that applied to MDWASD, the GS-1250K class (which is from Order No.

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1 **Q. What are the incremental costs that are developed from the December 2009**
2 **data?**

3 A. In response to a Commission Staff data request in this docket, utilizing the same
4 methodology that we used in December 2008 analysis but with December 2009
5 Surveillance Report data, we calculated an incremental cost to serve the
6 Alexander Orr plant of \$197,312, for a rate of \$0.05481 per therm, and for the
7 Hialeah and Black Point/South Dade plants an incremental cost of \$230,137, for a
8 rate of \$0.09898 per therm. This analysis is attached as Exhibit __ (CB-3,
9 December 2009 Incremental Cost Analysis).

10 **Q. And what are the costs and rates developed from the November 2010**
11 **surveillance report data?**

12 A. For purposes of my testimony, I utilized the same methodology that was used for
13 both the December 2008 analysis and the December 2009 analysis but this time
14 with November 2010 Surveillance Report data and actual original costs and
15 consumption. This analysis resulted in an incremental cost to serve the Alexander
16 Orr plant of \$184,690, for a rate of \$0.06139 per therm, and for the Hialeah plant
17 an incremental cost of \$174,646, for a rate of \$0.08575 per therm. This analysis
18 is attached as Exhibit __ (CB-4, Revised November 2010 Incremental Cost
19 Analysis). Also attached are Supplemental CB-2 and CB-3 analyses reflecting the
20 revised numbers.

21 **Q. These analyses show that the incremental cost to serve is increasing over**
22 **time. How is that possible?**

23 A. The biggest factor is the reduction in consumption. While the capital investment
24 in the plant and facilities to serve MDWASD may remain unchanged, the
25 expenses to maintain and operate the utility, and hence the

Informational Only

Docket No. 090539-GU
FCG Carolyn Bermudez Direct Testimony
Page 12 of 27
Revised March 31, 2011

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5 plus some of the backup calculations. Column B of page 1 reflects the various
6 components of the methodology. Column C reflects a 1999 Rate Design analysis
7 and Column D reflects a November 2008 Surveillance Report Design analysis.
8 Columns E through M reflect the detail for the information contained in Column
9 D. Pages 2 and 3 of this exhibit are the November 2008 surveillance report data.

10 **Q. What does the 1999 Rate Design (Column C) column reflect?**

11 A. This column reflects ~~1999~~¹⁹⁹⁷ analysis performed by the NUI Marketing group that
12 was later found in the files. ~~I have not been able to verify the source material~~
13 ~~used for these numbers~~ At the time I believed this reflected the original cost of the
14 Orr and Hialeah plants.

15 **Q. What does the November 2008 Surveillance Report Design (Column D)**
16 **reflect?**

17 A. Column D reflects the November 2008 surveillance report data for O&M
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16 Orr plant of ~~\$202,387~~184,690, for a rate of ~~\$0.06728~~6139 per therm, and for the
17 Hialeah ~~and Black Point/South Dade~~ plants an incremental cost of
18 ~~\$235,212~~174,646, for a rate of ~~\$0.44090~~8575 per therm. This analysis is
19 attached as Exhibit __ (CB-4, Revised November 2010 Incremental Cost
20 Analysis). Also attached are Supplemental CB-2 and CB-3 analyses reflecting the
21 revised numbers.

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1 **Q. These analyses show that the incremental cost to serve is increasing over**
2 **time. How is that possible?**

3 A. The biggest factor is the reduction in consumption. While the capital investment
4 in the plant and facilities to serve MDWASD may remain unchanged, the
5 expenses to maintain and operate the utility, and hence the facilities to serve
6 MDWASD, generally have increased over time. Our biggest expenses are those
7 associated with personnel – salaries, pensions, and insurance, for example. We do
8 a very good job in managing our overall expenses, but increased personnel
9 expenses over time will have a significant impact on our costs. This is in part
10 why any price paid by MDWASD should not be set at cost as it exists at that time,
11 especially for a longer term, ten year contract. Because costs change over time,
12 the rate should be set at a level that will allow the utility to recover all of its costs
13 over time.

14 **ISSUE 3: Does the contract rate in the 2008 Agreement allow FCG to**
15 **recover FCG's incremental cost to serve MDWASD?**

16 **Q. Are the incremental costs that you have developed for service to MDWASD**
17 **covered by the price in the 2008 TSA?**

18 A. No, as I have already testified, they do not. Whether you look at the November
19 2008 cost analysis, which is the closest in time to when the 2008 TSA was signed,
20 or the most recent surveillance report data, the price simply does not cover the
21 cost of service.