

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110003-GU

In the Matter of:

PURCHASED GAS ADJUSTMENT  
(PGA) TRUE-UP.

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, November 1, 2011

TIME: Commenced at 9:30 a.m.  
Concluded at 9:43 a.m.

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

REPORTED BY: LINDA BOLES, CRR, RPR  
Official FPSC Reporter  
(850) 413-6734

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FLORIDA PUBLIC SERVICE COMMISSION

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## 1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Gunster Law Firm, 215  
3 South Monroe Street, Suite 618, Tallahassee, Florida  
4 32301, appearing on behalf of Florida City Gas and FPUC.

5 PATRICIA A. CHRISTENSEN, ESQUIRE, Office of  
6 Public Counsel, c/o the Florida Legislature, 111 W.  
7 Madison Street, Room 812, Tallahassee, Florida  
8 32399-1400, appearing on behalf of the Citizens of the  
9 State of Florida.

10 JON MOYLE, JR., ESQUIRE, Keefe, Anchors,  
11 Gordon & Moyle, P.A., 118 North Gadsden Street,  
12 Tallahassee, Florida 32312, appearing on behalf of the  
13 Florida Industrial Power Users Group.

14 JENNIFER CRAWFORD, ESQUIRE, FPSC General  
15 Counsel's Office, 2540 Shumard Oak Boulevard,  
16 Tallahassee, Florida 32399-0850, appearing on behalf of  
17 the Commission Staff.

18 MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, and  
19 SAMANTHA CIBULA, ESQUIRE, Florida Public Service  
20 Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
21 Florida 32399-0850, Advisor to the Florida Public  
22 Service Commission.

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25

## I N D E X

## WITNESSES

NAME:	PAGE NO.
THOMAS KAUFMAN Prefiled Testimony Inserted	11
CURTIS D. YOUNG Prefiled Testimony Inserted	22
CHERYL M. MARTIN Prefiled Testimony Inserted	24
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## EXHIBITS

	NUMBER:		ID.	ADMTD.
1				
2				
3	1	Comprehensive Exhibit List	55	55
4	2	TK-1 (Amended 8-1-11)	55	55
5	3	TK-2 (Amended 10-4-11)	55	55
6	4	CDY-1	55	55
7	5	CMM-1	55	55
8	6	KMF-1	55	55
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12	10	SLS-3	55	55
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## P R O C E E D I N G S

1  
2           **CHAIRMAN GRAHAM:** All right. Well, I'm glad  
3 you're all here, and glad you're all here safely. We  
4 are handling Docket No. 110003, 04, 02, 01, and 07, in  
5 that order. Let the record show it is Tuesday, November  
6 the 1st, 2011, and we will call this hearing to order.  
7 Staff, if I can get you to read the notice, please.

8           **MS. CRAWFORD:** Certainly. Pursuant to notice,  
9 this time and place has been scheduled for the purpose  
10 of conducting a hearing in the following dockets:  
11 110001-EI, 110002-EG, 110003-GU, 110004-GU, and  
12 110007-EI. The purpose of the hearing is set forth more  
13 fully in the notice.

14           **CHAIRMAN GRAHAM:** All right. First thing, I  
15 guess we will take appearances. And if I can get you  
16 also to, when you state who you are, tell which dockets  
17 you're here for as well. And let's start that side.  
18 Okay.

19           **MR. REHWINKEL:** Thank you, Mr. Chairman.  
20 Charles J. Rehwinkel, Office of Public Counsel. I'm  
21 here in Docket 110001 only. I would also like to enter  
22 an appearance for Joseph A. McGlothlin for Dockets  
23 110001 and 110007, and Patricia A. Christensen for all  
24 dockets.

25           **CHAIRMAN GRAHAM:** Thank you, sir.

1           **MR. BREW:** Good morning, Mr. Chairman. I'm  
2 James Brew. I'm here for White Springs Agricultural  
3 Chemicals/PCS Phosphate with the firm of Brickfield,  
4 Burchette, Ritz and Stone. Appearing with me also is  
5 F. Alvin Taylor, and we're appearing in Dockets 01 and  
6 02.

7           **MR. MOYLE:** Jon Moyle, representing the  
8 Florida Industrial Power Users Group, FIPUG, and we are  
9 in all of the dockets, but will only be engaging in  
10 issues related to 01 and 07.

11           **MS. BROWNLESS:** Good morning. My name is  
12 Suzanne Brownless. I'm here on behalf of the Florida  
13 Solar Energy Industries Association in Docket 02, in the  
14 02 docket.

15           **MR. WRIGHT:** Good morning, Commissioners.  
16 Robert Scheffel Wright appearing on behalf of the  
17 Florida Retail Federation in the fuel cost recovery  
18 docket, 110001. I'd also like to enter an appearance  
19 for my partner, John T. Lavia, III. Thank you.

20           **MS. KEATING:** Good morning, Commissioners.  
21 Beth Keating. I'm here this morning on behalf of FPUC  
22 in the 01 and 02 dockets, and also for FPUC and City Gas  
23 in the 03 docket, as well as FPU, Chesapeake,  
24 Indiantown, and City Gas in the 04 docket.

25           **MR. BEASLEY:** Good morning, Commissioners.

1 James D. Beasley and J. Jeffrey Wahlen of the law firm  
2 of Ausley & McMullen. We're here on behalf of Tampa  
3 Electric Company in the fuel conservation and  
4 environmental dockets.

5 **MR. BURNETT:** Good morning, Commissioners.  
6 John Burnett on behalf of Progress Energy Florida in the  
7 01, 02, and 07 docket. With me I also have Alex Glenn  
8 and Dianne Triplett in the 1, 2, and 7 dockets, and Gary  
9 Perko in the 7 docket.

10 **MR. PERKO:** Good morning, Commissioners. My  
11 name is Jeffrey A. Stone of the law firm Beggs & Lane,  
12 and I represent Gulf Power Company in the 01, the 02,  
13 and the 07 dockets.

14 **MR. BUTLER:** Good morning, Commissioners.  
15 John Butler representing Florida Power & Light Company  
16 in the 01, 02, and 07 dockets. Also here we have Maria  
17 Moncada, who is representing FPL in the 01 and 07, and  
18 Ken Rubin, representing FPL in the 02 docket. Thank  
19 you.

20 **MS. WHITE:** Good morning, Commissioners. I'm  
21 Karen White on behalf of the Federal Executive Agencies,  
22 and I'm also entering an appearance for Captain Sam  
23 Miller in the 01, 02, and 07 dockets.

24 **MR. HORTON:** Good morning. I'm Norman H.  
25 Horton, Jr. I'm appearing on behalf of Sebring Gas

1 System in the 04 docket.

2 MS. BENNETT: Good morning, Commissioners.  
3 I'm Lisa Bennett, and Martha Barrera in the 01 docket  
4 for Commission Staff.

5 MS. BROWN: Martha Carter Brown and Charles  
6 Murphy in the 07 docket for Commission Staff.

7 MS. TAN: Lee Eng Tan for the 02 docket,  
8 Commission Staff.

9 MS. CRAWFORD: Jennifer Crawford for  
10 Commission Staff, the 03 and the 04 docket.

11 MS. HELTON: Mary Anne Helton, advisor to the  
12 Commission in all the dockets. And also advising you  
13 during the course of this proceeding will be Samantha  
14 Cibula.

15 MR. REHWINKEL: Mr. Chairman, Charles  
16 Rehwinkel. I overlooked entering an appearance for  
17 myself in the 07 docket. Thank you.

18 CHAIRMAN GRAHAM: Okay. I think we've got all  
19 the attorneys. We've gone over the order we're going to  
20 do this.

21 So let's start with the first docket, which is  
22 110003.

23 MS. CRAWFORD: Mr. Chairman, if I may.

24 CHAIRMAN GRAHAM: Yes.

25 MS. CRAWFORD: I would like to note for the

1 record that for the 03 and the 04 dockets, St. Joe  
2 Natural Gas Company and Peoples Gas System have been  
3 excused from the hearing. And I believe also in the  
4 02 docket the Southern Alliance for Clean Energy has  
5 also been granted an excusal from the hearing.

6 **CHAIRMAN GRAHAM:** I thought we were going to  
7 do that as we got into the different dockets, but okay.

8 **MS. CRAWFORD:** Thank you.

9 **CHAIRMAN GRAHAM:** Now 03. Preliminary  
10 matters.

11 **MS. CRAWFORD:** Staff is aware of none. We do  
12 note again that St. Joe's and Peoples has been excused  
13 from the hearing. We also note that there are proposed  
14 stipulations on all issues and that all witnesses have  
15 been excused. Also, parties have waived opening  
16 statements.

17 **CHAIRMAN GRAHAM:** All right. For the record,  
18 prefiled testimony.

19 **MS. CRAWFORD:** We would ask that the prefiled  
20 testimony for all witnesses that are identified in  
21 Section, I believe it's VI of the prehearing hearing  
22 order on Page 4 be inserted into the record as though  
23 read.

24 **CHAIRMAN GRAHAM:** We will -- do you need to  
25 read the different names in there, or do we -- is that

1 already part of the record?

2           **MS. CRAWFORD:** I believe that would be part of  
3 the record. I'm happy to read them, if you prefer.

4           **CHAIRMAN GRAHAM:** No. We will enter those  
5 things into the record as if, as if they were read.  
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1           BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
2                    AMENDED (TRUE-UP) DIRECT TESTIMONY OF  
3                            THOMAS KAUFMANN  
4                            ON BEHALF OF FLORIDA CITY GAS  
5                            DOCKET NO. 110003-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 **Q. WHY IS THE COMPANY FILING A REVISION TO ITS**  
18 **PURCHASED GAS ADJUSTMENT TRUE-UP?**

19 A. The Company's filing on April 26, 2011 contained an adjustment  
20 of \$17,860 applied in November noted as tax credit which was  
21 subsequently determined to be a general gas cost credit  
22 applicable to December. The net impact of this revision is an in  
23 an increase of \$6, primarily from the interest provision, in the

1 Final Fuel Under Recovery amount shown on Schedule A-7 from  
2 \$259,859 to \$259,865 as well as the revision to the line item  
3 amounts to reflect this change.  
4

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

6 A. The purpose of my testimony is to present the revisions noted to  
7 the comparison of Actual versus Original estimate of the  
8 purchased gas adjustment cost recovery factor and true-up  
9 provision for the period January, 2010 through December, 2010  
10 for City Gas.  
11

12 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED  
13 BY THIS COMMISSION FOR THIS PURPOSE?**

14 A. Yes. The Company has prepared the form prescribed by the  
15 Commission attached as Schedule A-7, and identified as  
16 Amended Exhibit \_\_\_\_ (TK-1).  
17

18 **Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS  
19 THE ACTUAL GAS COSTS ASSOCIATED WITH THE GAS  
20 ADJUSTMENT COST RECOVERY FACTOR?**

21 A. Yes. City Gas prepared Schedule A-7, attached, which  
22 describes the total fuel cost for the period in question, recovery  
23 of such cost from ratepayers through the Purchased Gas

1 Adjustment (PGA) Cost Recovery Factor, and remaining over or  
2 under-recovery of gas cost.

3

4 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**  
5 **COMPANY DURING THE TWELVE MONTHS ENDED**  
6 **DECEMBER 31, 2010?**

7 A. As shown on Schedule A-7, Line 1, the total cost of gas for the  
8 twelve months ended December 31, 2010 is \$30,642,274

9

10 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**  
11 **RECOVERED BY THE COMPANY DURING THE TWELVE**  
12 **MONTHS ENDED DECEMBER 31, 2010?**

13 A. The Company recovered \$28,833,528.

14

15 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**  
16 **TWELVE MONTHS ENDED DECEMBER 31, 2010?**

17 A. The actual true-up amount, including adjustments, margin  
18 sharing and interest, is a under-recovery of \$523,882.

19

20 **Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT**  
21 **AMOUNT?**

22 A. Yes. As shown on Schedule A-7, the total fuel revenues for the  
23 period are \$28,833,528 and the total fuel cost is \$30,642,274.

1 The difference between the fuel cost and fuel recoveries is an  
2 under-recovery of \$1,808,746. This under-recovery is  
3 decreased by an adjustment \$1,279,835 for margin sharing and  
4 the interest provision, during the period, of \$5,029. The sum of  
5 these, inclusive of any rounding, is a under-recovery of  
6 \$523,882.

7

8 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**  
9 **JANUARY 2010 THROUGH DECEMBER 2010 PERIOD TO BE**  
10 **INCLUDED IN THE 2011 PROJECTION?**

11 A. The final true-up amount for the period of January 2010 through  
12 December 2010 to be included in the 2011 projection is an  
13 under-recovery \$259,865. This is the difference between the  
14 estimated under-recovery of \$264,017 that is included in the  
15 current cost recovery factor being collected during 2011 and the  
16 actual under-recovery of \$523,882.

17

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

19 A. Yes.

1           **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                           AMENDED DIRECT TESTIMONY OF

3                                   THOMAS KAUFMANN

4                                   ON BEHALF OF FLORIDA CITY GAS

5                                   DOCKET NO. 110003-GU

6                                   October 4, 2011

7

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

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

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. 110003-GU  
October 4, 2011

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, generally, is to present the revised  
12 estimate of the Company's projection of gas costs for the period  
13 August 2011 through December 2011 and the Company's  
14 projection of gas costs for the period January 2012 through  
15 December 2012. In addition I will present the development of the  
16 maximum rate to be charged to customers for the period January  
17 2012 through December 2012.

18 **Q. PLEASE EXPLAIN WHY CITY GAS IS SUBMITTING A REVISED**  
19 **FILING.**

20 A. Unfortunately, we discovered that the Schedules used to track City  
21 Gas's purchased gas costs, revenues, and true-up amounts for  
22 purposes of the PGA proceeding contained an anomaly in one of  
23 the Excel formulas. The problem carried over across several  
24 Schedules because the spreadsheets are linked. In preparing our

Docket No. 110003-GU  
October 4, 2011

1           September filing, this problem was not picked and, as a result, the  
2           filing contained several erroneous amounts. I have now corrected  
3           these errors, as well as the filing, and ask that the Commission  
4           accept this corrected version.

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

7   A.   Yes. The forms prescribed by the Commission are being filed at  
8           this time. Copies are attached to my testimony as Amended Exhibit  
9           \_\_ (TK-2).

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

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

1 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**  
2 **AS PROJECTED?**

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

6 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**  
7 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN**  
8 **ESTIMATED AND ACTUAL COSTS?**

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

14 **Q. ARE ANY FLORIDA GAS TRANSMSSION (FGT) RATE**  
15 **CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**  
16 **FILING?**

17 A. No, the FGT rates used in the preparation of this filing are those in  
18 effect on September 1, 2011

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

21 A. Yes. Schedule E-1 shows the projected period, January 2012  
22 through December 2012. For 2012, the Company estimates the  
23 gas purchases for resale will be 43,156,954 therms (Line 15) at a  
24 total cost of **\$32,882,028** (Line 11) with a resulting WACOG of

1           76.234 cents per therm (Line 40) before the application of the true-  
2           up factor and the regulatory assessment fee. Schedule E-4 shows  
3           the difference between the estimated actual and actual true-up for  
4           the prior period, January 2010 through December 2010, is an  
5           under-recovery of **\$259,865** (Column 3, Line 4). The projected true-  
6           up for the current period, January 2011 through December 2011, is  
7           an over-recovery of **\$357,639** (Column 4, line 4). The total true-up  
8           as shown on Schedule E-4 is an over-recovery of **\$97,774** for a  
9           true-up refund factor of 0.227 cents per therm that would be applied  
10          during the projected period (Schedule E-1, Line 41). This true-up  
11          factor decreases the gas cost factor during the projected period to  
12          76.007 cents per therm (Line 42) before the regulatory assessment  
13          fee. With the regulatory assessment fee added, the PGA factor is  
14          **76.390** cents per therm (Line 44) based on the average of the  
15          winter and summer seasons.

16  
17       **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**  
18       **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**  
19       **THE PGA CAP IN 2012?**

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

23  
24

1  
2

Winter Average, per Therm

Total Cost (Line 11)	\$19,036,109
Total Therm Sales (Line 27)	23,254,273
(Line 11/ Line 27)	\$0.81861
True-up	(\$0.00227)
Before Regulatory Assessment	\$0.81634
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$0.82045

3

4 As shown above, the maximum levelized purchased gas factor  
5 based on the Company's expected winter cost of gas is 81.634  
6 cents per therm before the regulatory assessment fee and 82.045  
7 cents per therm after the regulatory assessment fee. If approved by  
8 the Commission, 82.045 cents per therm would be the maximum  
9 gas cost factor that City Gas may charge its customers for the  
10 period January 2012 through December 2012.

11

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

13 **A. Yes, it does.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 110003-GU  
DETERMINATION OF PURCHASED  
GAS/COST RECOVERY FACTOR**

**Direct Testimony of  
Curtis D. Young  
On Behalf of  
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. My name is Curtis D. Young and my business address is 401 South Dixie  
3 Highway, West 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 as the Regulatory  
6 Analyst.

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, 2010 through  
10 December 31, 2010, 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, 2010 through December 31, 2010.

1 A. During January 2010 through December 2010, FPUC over-recovered  
2 \$740,016.

3 Q. How does this amount compare with the estimated true-up amount, which  
4 was allowed by the Commission during the November 2010 hearing?

5 A. As of December 31, 2010, FPUC had estimated an over-recovery of  
6 \$3,302,030.

7 Q. Have you prepared any exhibits at this time?

8 A. We prepared and pre-filed composite Exhibit CDY-1, containing  
9 Schedule A-7, Final Fuel Over/Under Recovery for the Period January  
10 2010 through December 2010.

11 Q. Does this conclude your testimony?

12 A. Yes

## 1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Purchased Gas Adjustment (PGA) True-Up

3 PGA Factor

4 DIRECT TESTIMONY OF CHERYL M. MARTIN

5 On behalf of6 Florida Public Utilities Company7 DOCKET NO. 110003-GU

8 Q. Please state your name and business address.

9 A. My name is Cheryl M. Martin. My business address is 401 South Dixie Highway,  
10 West Palm Beach, Florida 33401.

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

12 A. I am employed by Florida Public Utilities Company (FPUC) as the Director of  
13 Regulatory Affairs.14 Q. Can you please provide a brief overview of your educational and employment  
15 background?16 A. I graduated from Florida State University in 1984 with a BS degree in Accounting and  
17 I am a Certified Public Accountant in the state of Florida. I have been employed by  
18 FPUC since 1985. In August 2011, I was promoted to my current position, Director of  
19 Regulatory Affairs. I have performed various accounting, management and regulatory  
20 roles and functions including regulatory accounting (Fuel, PGA, conservation,  
21 surveillance reports, regulatory reporting), tax accounting, external reporting as well  
22 as corporate accounting. I have been an expert witness for numerous proceedings  
23 before the Florida Public Service Commission (FPSC).24 Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the Company  
25 and the associated projected and actual revenues and costs?

1 A. Yes.

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

3 A. My testimony will establish the PGA "true-up" collection amount, based on actual  
4 2010 data and projected 2011 data. My testimony will describe the Company's  
5 forecast of pipeline charges and commodity costs of natural gas for 2012 as well as  
6 any expected new agreements required to provide service to Nassau County. Finally, I  
7 will summarize the computations that are contained in composite exhibit CMM-1  
8 supporting the January through December 2012 projected PGA recovery (cap) factor  
9 for the FPUC consolidated gas division.

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

11 A. Yes.

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

13 A. The Company has prepared and previously filed True-Up schedules A-1, A-2, A-3, A-  
14 4, A-5, and A-6, in addition to filing composite exhibit CMM-1 which contains  
15 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the FPUC consolidated gas division.  
16 These schedules support the calculation of the PGA recovery (cap) factor for January  
17 through December 2012.

18 Q. What is the appropriate final PGA true-up amount for the period January through  
19 December 2010?

20 A. As shown on Schedule E-4, the final PGA true-up amount for the period January  
21 through December 2010 is an under-recovery of \$2,562,014, inclusive of interest.

22 Q. What is the projected PGA true-up amount for the period January through December  
23 2011?

24 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-  
25 recovery of \$2,151,001, inclusive of interest, for the period January through

1 December 2011.

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

3 A. The projection period is January through December 2012.

4 Q. What is the total projected PGA true-up amount to be collected from or refunded to  
5 customers for the period January through December 2012?

6 A. As shown on Schedule E-4, the total net under-recovery to be collected for the period  
7 January through December 2012 is \$411,013.

8 Q. Please describe how the forecasts of pipeline charges and commodity costs of gas  
9 were developed for the projection period.

10 A. The purchases, for the gas cost projection model, are based on projected sales to  
11 traditional non-transportation service customers. Florida Gas Transmission  
12 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges (including  
13 surcharges) and fuel rates, at the time the projections were made, were used for the  
14 entire projection period. As is further explained herein, the Company has also  
15 included costs related to its expansion into previously un-served Nassau County. The  
16 expected costs of natural gas purchased by the Company during the projection period  
17 are developed using actual prices paid during relevant historical periods and the New  
18 York Mercantile Exchange (NYMEX) natural gas futures pricing through the end of  
19 the projection period. The forecasts of the commodity costs are then adjusted to  
20 reflect the unexpected potential market increases in the projection period.

21 Q. Please describe how the forecasts of the weighted average cost of gas are developed  
22 for the projection period.

23 A. The Company has forecasted the 2012 weighted average cost of gas using the  
24 projected monthly pipeline demand costs, less the projected cost of capacity  
25 temporarily relinquished to third parties, the projected pipeline usage and no-notice

1 costs and the projected supplier commodity costs. The sum of these costs are then  
2 divided by the projected therm sales to the traditional non-transportation customers  
3 resulting in the projected weighted average cost of gas and ultimately the PGA  
4 recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall, if any, would be  
5 satisfied with the most economic dispatch combination of acquired capacity  
6 relinquished by another FGT shipper and/or gas and capacity repackaged and  
7 delivered by another FGT capacity holder. If other services become available and it is  
8 economic to dispatch supplies under those services, the Company will utilize those  
9 services as part of its portfolio.

10 Q. Is the Company expecting to enter into any new agreements that will affect the PGA  
11 costs for 2012?

12 A. Yes. The Company is expecting to enter into a new agreement with Peninsula  
13 Pipeline Company, Inc. (PPC), an affiliated company, to construct an intrastate  
14 pipeline, connected to the Cypress Pipeline, which will provide capacity and access to  
15 gas supplies needed to serve customers in Nassau County. In addition, the Company  
16 will also secure Cypress Pipeline capacity and natural gas supply required to serve  
17 these customers, beginning in July 2012.

18 Q. Are the costs associated with the PPC agreement and the additional interstate pipeline  
19 capacity and supply costs appropriate for recovery in the PGA docket?

20 A. Yes. As part of an expansion of FPUC natural gas facilities, it was necessary to obtain  
21 additional interstate and intrastate pipeline capacity to serve the Nassau County  
22 customers. Periodic increases or decreases to capacity are necessary, as conditions  
23 warrant, and capacity changes are appropriate for recovery in the PGA. Historically,  
24 the Commission has allowed recovery of similar such costs through the clause, as long

1 as it is clear that such costs are reasonable and are not already being recovered through  
2 the Company's base rates.

3 The Nassau County project was not included in the Projected Test Year of the  
4 Company's previous rate case. After considering several pipeline options, the  
5 Company expects to enter into an agreement with PPC to obtain the necessary  
6 intrastate pipeline capacity. The PPC bid was not only lower than other bids obtained,  
7 but PPC indicated it could provide service by July 2012, which meets the needs for  
8 both the Company and commercial customers in Nassau County. The costs associated  
9 with this new contract are reasonable and based on market prices.

10 Q. Have additional costs been included in the Projections for 2012?

11 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit CMM-1, the  
12 Company has included Capacity cost from PPC beginning July 2012, as well  
13 as estimated costs for additional upstream capacity and supply to serve the new  
14 customers beginning July 2012.

15 Q. What benefits will the other customers on FPUC's natural gas system obtain from the  
16 Nassau County customers?

17 A. All customers receive benefits when system expansions occur, primarily through the  
18 allocation of fixed system costs to a larger customer base. Nassau County, being in  
19 close proximity to Jacksonville, is expected to experience significant growth in the  
20 near and long-term population forecasts. Over time, the Company believes that  
21 significant customer growth will occur in the residential, commercial and small  
22 industrial classifications, helping to keep overall customer rates lower.

23 Q. What is the appropriate PGA recovery (cap) factor for the period January through  
24 December 2012?

25 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 79.064¢ per therm for

- 1 the period January through December 2012.
- 2 Q. What should be the effective date of the PGA recovery (cap) factor for billing  
3 purposes?
- 4 A. The PGA recovery (cap) factor should be effective for all meter readings during the  
5 period of January 1, 2012 through December 31, 2012.
- 6 Q. Does this conclude your testimony?
- 7 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

KANDI M. FLOYD

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**Q.** Please state your name and business address.

**A.** My name is Kandi M. Floyd. My business address is 702 N. Franklin Street, Tampa, Florida 33602.

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

**A.** I am employed by Peoples Gas System ("Peoples") as Manager of State Regulatory, having held that position since 2003.

**Q.** Please summarize your educational background and professional qualifications.

**A.** I hold a B.A. in Business Administration from Saint Leo University. From 1995 to 1997, I worked in a series of positions within the Regulatory Affairs Department of Tampa Electric Company. In 1998, I joined Peoples as a Regulatory Coordinator in the Regulatory and Gas Supply Department. In 2001, I became Peoples' Energy

1 Conservation/Regulatory Coordinator, and held that  
2 position until assuming my current position in 2003.

3  
4 **Q.** What are your primary responsibilities in your current  
5 position with Peoples?

6  
7 **A.** As Manager of State Regulatory, I am responsible for  
8 managing the Purchased Gas Adjustment ("PGA") and Energy  
9 Conservation Cost Recovery filings as well as various  
10 regulatory activities of Peoples.

11  
12 **Q.** Have you prepared or caused to be prepared certain  
13 schedules for use in this proceeding?

14  
15 **A.** Yes. As Composite Exhibit KMF-1, preparation of the  
16 following schedule with respect to the final true-up for  
17 the period January 2010 through December 2010: A-7 -  
18 Final Fuel Over/Under Recovery.

19  
20 **Q.** What was Peoples' cost of gas to be recovered through  
21 the PGA clause for the period January 2010 through  
22 December 2010?

23  
24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas  
25 purchased, adjusted for company use, was \$284,374,411.

1 Q. What was the amount of gas revenue collected for the  
2 period January 2010 through December 2010?

3  
4 A. The amount of gas revenue collected to cover the cost of  
5 gas was \$282,530,163.

6  
7 Q. What was the final true-up amount for the period January  
8 2010 through December 2010?

9  
10 A. The final true-up amount for the period, including  
11 interest and adjustments, is an under-recovery of  
12 \$1,832,492.

13  
14 Q. Is this amount net of the estimated true-up for the  
15 period January 2010 through December 2010, which was  
16 included in the January 2011 through December 2011 PGA  
17 factor calculation?

18  
19 A. No. The final true-up net of the estimated true-up for  
20 the period January 2010 through December 2010 is an  
21 under-recovery of \$9,599,007.

22  
23 Q. Is this the final under-recovery amount to be included  
24 in the January 2012 through December 2012 projection?

25

1     **A.**    Yes.

2

3     **Q.**    Does this conclude your testimony?

4

5     **A.**    Yes.

6

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PEOPLES GAS SYSTEM  
DOCKET NO. 110003-GU  
FILED: 09/13/2011

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **KANDI M. FLOYD**

5  
6   **Q.**   Please state your name, business address, by whom you  
7           are employed, and in what capacity?

8  
9   **A.**   My name is Kandi M. Floyd.   My business address is  
10           Peoples Gas System, 702 North Franklin Street, P.O. Box  
11           2562, Tampa, Florida 33601-2562. I am employed by  
12           Peoples Gas System ("Peoples" or the "Company") and am  
13           the Manager of State Regulatory.

14  
15   **Q.**   Please describe your educational and employment  
16           background.

17  
18   **A.**   I have a Bachelor of Arts Degree in Business  
19           Administration from Saint Leo University. From 1995 to  
20           1997, I was employed in a series of positions within the  
21           regulatory affairs department of Tampa Electric Company.  
22           In 1998, I joined Peoples Gas System as a Regulatory  
23           Coordinator in the Regulatory and Gas Supply Department.  
24           In 2001, I became the Energy Conservation / Regulatory  
25           Administrator and in 2003 became the Manager of State

1 Regulatory for Peoples Gas System. In this role, I am  
2 responsible for managing the Purchased Gas Adjustment  
3 ("PGA") and Energy Conservation Cost Recovery filings as  
4 well as various regulatory activities for Peoples.  
5

6 **Q.** What is the purpose of your testimony in this docket?  
7

8 **A.** The purpose of my testimony is to describe generally the  
9 components of Peoples' cost of purchased gas and  
10 upstream pipeline capacity. In my testimony, I also  
11 explain how Peoples' projected weighted average cost of  
12 gas ("WACOG") for the January 2012 through December 2012  
13 period was determined and the resulting requested  
14 maximum PGA ("Cap").  
15

16 **Q.** Please summarize your testimony.  
17

18 **A.** I will address the following areas:  
19

20 1. How Peoples will obtain its gas supplies during the  
21 projected period.

22 2. Estimates and adjustments used to determine the  
23 amount of gas to be purchased from Peoples' various  
24 available sources of supply during the projected period.

25 3. Projections and assumptions used to estimate the

1 purchase price to be paid by Peoples for such gas  
2 supplies.

3 4. The components and assumptions used to develop  
4 Peoples' projected WACOG including the projected true-up  
5 balance to be collected or refunded.

6  
7 **Q.** What is the appropriate final purchased gas adjustment  
8 true-up amount for the period January 2010 through  
9 December 2010?

10

11 **A.** The final PGA true-up amount for the year 2010 is an  
12 under-recovery of \$9,599,007.

13

14 **Q.** What is the estimated purchased gas adjustment true-up  
15 amount for the period January 2011 through December  
16 2011?

17

18 **A.** The estimated PGA true-up amount for 2011 is an over-  
19 recovery of \$11,966,268.

20

21 **Q.** What is the total purchased gas adjustment true-up  
22 amount to be collected during the period January 2012  
23 through December 2012?

24

25 **A.** The total PGA true-up amount to be refunded in 2012 is

1 an over-recovery of \$2,367,260.

2

3 **Q.** Have you prepared or caused to be prepared certain  
4 schedules for use in this proceeding?

5

6 **A.** Yes. Composite Exhibit KMF-2 was prepared by me or  
7 under my supervision.

8

9 **Q.** Please describe how Peoples will obtain its gas supplies  
10 during the projected period of January 2012 through  
11 December 2012.

12

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

23

24 **Q.** In general, how does Peoples determine its sources of  
25 supply?

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

13  
14  **Q.** Could Peoples purchase all third party supplies in  
15  advance for a long term at the lowest available fixed  
16  price in order to provide increased stability to its  
17  cost of gas?

18  
19  **A.** No. Peoples' quantity requirements for system supply  
20  gas vary significantly from year to year, season to  
21  season, month to month and, in particular, from day to  
22  day. The demand for gas on the Peoples system can often  
23  vary dramatically within a month from the lowest to the  
24  highest requirement of its customers. In addition,  
25  Peoples' transportation throughput will continue to

1 increase during the projected period as approximately  
2 111 customers per month are continuing to transfer from  
3 sales service to transportation service under the  
4 NaturalChoice program. The actual takes of gas out of  
5 the Peoples system by those same transporting customers  
6 varies significantly from day to day. Since significant  
7 portions of the total transportation volumes are  
8 received by Peoples at a uniform daily rate, Peoples is  
9 forced to increase or decrease the volumes purchased for  
10 its own system supply by significant increments in order  
11 to maintain a balance between receipts and deliveries of  
12 gas each day. As a consequence, Peoples must buy a  
13 portion of its total system requirements under swing  
14 contract arrangements, and meet extreme variations in  
15 delivered volumes by relying on swing gas, peaking gas,  
16 pipeline balancing volumes and pipeline no notice  
17 service at the prevailing rates for such services.

18  
19 **Q.** How did Peoples estimate the amount of gas to be  
20 purchased from various sources during the projected  
21 period of January 2012 through December 2012?

22  
23 **A.** Peoples' projected gas purchases are based on the  
24 Company's preliminary total throughput of therms  
25 delivered to customers projected for 2012, including

1 both sales of Peoples' system supply and transportation  
2 deliveries of third party gas purchased by end-users of  
3 Peoples. The throughput was then adjusted for the  
4 anticipated level of transportation service, including  
5 the anticipated conversions under the Company's  
6 NaturalChoice program.

7  
8 **Q.** How are revenues derived from Peoples' Swing Service  
9 Charge accounted for through the PGA?

10  
11 **A.** Customers who participate in the NaturalChoice program  
12 pay a Swing Service Charge. The Swing Service Charge  
13 covers costs included in the PGA for balancing the  
14 difference between marketer-supplied gas and the  
15 customers' actual consumption. The revenues from the  
16 Swing Service Charge are credited to the PGA to offset  
17 this expense.

18  
19 **Q.** Is Peoples seeking a change in the Swing Service Charge?

20  
21 **A.** Not at this time. However, to the extent a portion of  
22 the swing costs are assigned to the PGA, Peoples may  
23 seek to readdress its Swing Service Charge expenses and  
24 the allocation thereof in a subsequent docket before the  
25 Commission. This is because on November 1, 2011,

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

19  
20 **Q.** How did you estimate the purchase price to be paid by  
21 Peoples for each of its available sources of gas supply?  
22

23 **A.** The price to be paid for natural gas is estimated based  
24 on an evaluation of historical prices for gas delivered  
25 to the FGT, Southern, and Gulfstream systems, futures

1 contracts as reported on the New York Mercantile  
2 Exchange and forecasts of market prices for the  
3 projection period of January 2012 through December 2012.  
4 These prices are then adjusted to reflect the potential  
5 for implied volatility increases and unexpected and  
6 unforeseen increases due to market forces particularly  
7 in the monthly and daily markets for natural gas prices  
8 in the projection period.

9  
10 **Q.** Referring to Schedules E-3 (A) through (G) of Composite  
11 Exhibit KMF-2, please explain the components of these  
12 schedules and the assumptions that were made in  
13 developing the Company's projections.

14  
15 **A.** Schedule E-3 (G) is a compilation of the monthly data  
16 that appears on Schedules E-3 (A) through (F) for the  
17 corresponding months of January 2012 through December  
18 2012. In Schedules E-3 (A) through (F), Column (A)  
19 indicates the applicable month for all data on the page.  
20 In Column (B), "FGT" indicates that the volumes are to  
21 be purchased from third party suppliers for delivery via  
22 FGT interstate pipeline transportation. "SOUTHERN"  
23 indicates that the volumes are to be purchased from a  
24 third party supplier for delivery via Southern  
25 interstate pipeline transportation. "GULFSTREAM"

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

7  
8 In Column (C), "PGS" means the purchase will be for  
9 Peoples' system supply and will become part of Peoples'  
10 total WACOG. None of the costs of gas or transportation  
11 for end-use purchases made by end-use customers of  
12 Peoples are included in Peoples' WACOG. In Column (D),  
13 purchases of pipeline transportation services from FGT  
14 under Rate Schedules FTS-1 and FTS-2 are split into two  
15 components, commodity (or "usage") and demand (or  
16 "reservation"). Both Peoples and end-users pay the  
17 usage charge based on the actual amount of gas  
18 transported. The FTS-1 and FTS-2 commodity costs shown  
19 include all related transportation charges including  
20 usage, fuel and ACA charges. The FTS-1 and FTS-2 demand  
21 component is a fixed charge based on the maximum daily  
22 quantity of FTS-1 and FTS-2 firm transportation capacity  
23 reserved. Similarly, the transportation rates of  
24 Southern and Gulfstream also consist of two components,  
25 a usage charge and a reservation charge. Individual

1 Transportation Service customers reimburse Peoples or  
2 directly pay FGT for all pipeline reservation charges  
3 associated with the transportation capacity that Peoples  
4 reserves and uses on their behalf.

5  
6 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"  
7 (or "NNTS") means FGT's no notice service provided to  
8 Peoples on a fixed charge basis for use when Peoples'  
9 actual use exceeds scheduled quantities. "SWING  
10 SERVICE" means the demand and commodity component of the  
11 cost of third party supplies purchased to meet Peoples  
12 "swing" requirements for supply that fluctuate on a day-  
13 to-day basis. "COMMODITY" means third party purchases of  
14 gas transported on FGT, Southern or Gulfstream and does  
15 not include any purchases of sales volumes from FGT.

16  
17 Column (E) shows the monthly quantity in therms of gas  
18 purchased by Peoples for each category of system supply.  
19 Column (F) shows the gas purchased by end-users for  
20 transportation.

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

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

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

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

11

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

15

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

21

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

1 filings, seasonal fuel filings, and certification  
2 proceedings. These expenses have historically been  
3 included for recovery through the Purchased Gas  
4 Adjustment Clause because they are fuel related  
5 expenses. The volumes consumed for similar categories  
6 or items are shown on lines 15 through 27, and the  
7 resulting effective cost per therm rate for each similar  
8 category or item is contained on lines 28 through 45.

9  
10 The data shown on Schedule E-1 are taken directly from  
11 Schedules E-3 (A) through (F) for the months of January  
12 2012 through December 2012.

13  
14 **Q.** What information is presented on Schedule E-1/R of  
15 Composite Exhibit KMF-2?

16  
17 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows eight  
18 months actual and four months estimated data for the  
19 current period from January 2011 through December 2011  
20 for all combined customer classes.

21  
22 **Q.** What information is presented on Schedule E-2 of  
23 Composite Exhibit KMF-2?

24  
25 **A.** Schedule E-2 of Composite Exhibit KMF-2 shows the amount

1 of the prior period over/under recoveries of gas costs  
2 that are included in the current PGA calculation.

3  
4 **Q.** What is the purpose of Schedule E-4 of Composite Exhibit  
5 KMF-2?

6  
7 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the  
8 calculation of the estimated true-up amount for the  
9 January 2011 through December 2011 period. It is based  
10 on actual data for eight months and projected data for  
11 four months.

12  
13 **Q.** What information is contained on Schedule E-5 of  
14 Composite Exhibit KMF-2?

15  
16 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical  
17 data that includes the projected therm sales and numbers  
18 of customers by customer class for the period from  
19 January 2012 through December 2012.

20  
21 **Q.** How have you incorporated the Residential PGA factor and  
22 the Commercial PGA factor in the derivation of the PGA  
23 cap for which the company seeks approval?

24  
25 **A.** On April 5, 1998, the Commission issued Order No. PSC-

1 99-0634-FOF-GU as a Proposed Agency Action in Docket No.  
2 981698-GU, and the Order subsequently became final.  
3 This Order approved Peoples Gas' request for approval of  
4 a methodology for charging separate Purchased Gas  
5 Adjustment factors for different customer classes.  
6 Under the approved methodology, separate PGA factors are  
7 derived by assigning the fixed, interstate pipeline  
8 reservation costs to each customer class according to  
9 the class' contribution to the company's peak month  
10 demand for the winter season and the summer season.  
11 Exhibit KMF-2, Page 41 of 41, labeled Attachment,  
12 contains the seasonal peak allocation factors based on  
13 the most recent peak month data available, January 2011  
14 and April 2011. These allocation factors are then  
15 applied to Schedule E-1 to derive the Residential,  
16 Commercial and Combined for All Rate Classes. The WACOG  
17 for which Peoples seeks approval as the annual cap is  
18 the Residential factor of \$.98437 per therm as shown in  
19 Schedule E-1. This annual cap will be applicable to all  
20 rate classes.

21  
22 **Q.** Does this conclude your testimony?  
23

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



1                   Final True-Up January 2010 - December 2010

- 2     Q.     What were the total therm sales for the period January  
3           2010 through December 2010?
- 4     A.     Total therm sales were 1,260,106 therms.
- 5     Q.     What were total therm purchases for the period January  
6           2010 through December 2010?
- 7     A.     Total therm purchases were 1,045,160.
- 8     Q.     What was the cost of gas to be recovered through the  
9           PGA for the period January 2010 through December 2010?
- 10    A.     The cost of gas purchased for January 2010 through  
11           December 2010 was \$931,501.12.
- 12    Q.     What was the amount of gas revenue collected for the  
13           period January 2010 through December 2010?
- 14    A.     The amount of gas revenue collected to cover the cost  
15           of gas was \$916,104.
- 16    Q.     What is the total true-up provision for the period  
17           January 2010 through December 2010?
- 18    A.     The total true-up provision, including interest, is an  
19           under-recovery of \$15,243.34 for the period.
- 20    Q.     What is the amount of estimated true-up included for  
21           January 2010 thru December 2010 in the January 2011  
22           through December 2011 PGA factor calculation?
- 23    A.     The amount of estimated true-up for the period January  
24           thru December 2010 included in the January 2011 through  
25           December 2011 PGA factor calculation was an over-

1 recovery of \$119,350.00.

2 Q. What is the final over/under-recovery for the January  
3 through December 2010 period to be included in the  
4 January 2012 through December 2012 projection?

5 A. The final under-recovery for the current period to be  
6 included in the January 2012 through December 2012  
7 projection is \$134,593.34.

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, 2012 through December 31, 2012?

3 A. 76.80 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1           **MS. CRAWFORD:** Okay. Next, Staff has compiled  
2 a stipulated exhibit list and distributed it to the  
3 commissioners, to all parties, and I believe to the  
4 court reporter. What it is is it lists itself, the list  
5 as Exhibit 1, and then it goes down sequentially and  
6 lists the prefiled exhibits for each of the parties.  
7 Staff would recommend that those exhibits be identified  
8 as numbered in the Comprehensive Exhibit List.

9           **CHAIRMAN GRAHAM:** Now do we need to move those  
10 exhibits?

11           **MS. CRAWFORD:** Yes. Once they're identified,  
12 Staff would then move entry of those exhibits into the  
13 record.

14           **MR. MOYLE:** Are we doing this docket by docket  
15 or are you trying to move every, everything in for every  
16 docket?

17           **CHAIRMAN GRAHAM:** No. Docket by docket.

18           **MR. MOYLE:** Okay.

19           **CHAIRMAN GRAHAM:** We're just doing Docket No.  
20 3 now.

21           Okay. Staff, I got lost.

22           **MS. CRAWFORD:** I'm sorry. If, if we could  
23 request to have the exhibits as listed on the  
24 Comprehensive Exhibit List marked as identified.

25           **CHAIRMAN GRAHAM:** Do you just need for me to

1 say we will mark them as identified?

2 MS. CRAWFORD: Yes, sir.

3 CHAIRMAN GRAHAM: There you go.

4 MS. CRAWFORD: And with that, Staff would  
5 request that those exhibits marked be moved into the  
6 record.

7 CHAIRMAN GRAHAM: We will enter those into the  
8 record as identified.

9 (Exhibits 1 through 14 marked for  
10 identification and admitted into the record.)

11 MS. CRAWFORD: Very well. Again, since all  
12 parties are proposing stipulations on all issues,  
13 noting, of course, OPC has taken no position on those  
14 proposed stipulations, Staff would recommend that the  
15 Commission take those proposed stipulations up as the  
16 next matter of business. If there are any --

17 CHAIRMAN GRAHAM: All right. The proposed  
18 stipulations are on Page 5 and 6?

19 MS. CRAWFORD: Yes, sir.

20 CHAIRMAN GRAHAM: And I take it there's no  
21 questions on these stipulated items by any of the  
22 parties? Seeing none, Commissioners, do you have any  
23 questions of Staff on any of these stipulated items?

24 Seeing none, we will -- do we just approve  
25 these as stipulated? Do we make a bench decision?

1 We're looking for a bench decision; is that correct?

2 **MS. CRAWFORD:** That's correct, sir.

3 **CHAIRMAN GRAHAM:** Commissioners, anybody  
4 opposed to a bench decision on this docket? Seeing  
5 none, do we make a motion to approve all the stipulated  
6 items as stipulated?

7 **MS. CRAWFORD:** Yes, sir.

8 **CHAIRMAN GRAHAM:** Commissioner Edgar.

9 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
10 A very brief comment, and then I'd like to go ahead and  
11 make a motion, if we are in order for that.

12 Obviously the first couple of dockets I think  
13 we may go through fairly quickly, and then we have  
14 additional testimony and discussion on the last two  
15 dockets.

16 I would just like to note for the record that  
17 even though we have a lot of paperwork and a lot of  
18 procedure to go through, there's a lot of work that has  
19 gone into getting us to this point. I want to thank our  
20 Staff and also, of course, all of the parties for  
21 working together to get us to the point where many of  
22 these mostly technical issues are in a position of  
23 consensus and stipulation that is coming to us. A lot  
24 of work, a lot of cooperation. I thank OPC in  
25 particular also for their work to get us to this point.

1                   And with that, Mr. Chairman, I would move all  
2 issues, 1 through 6, for this docket as stipulated.

3                   **CHAIRMAN GRAHAM:** It's been moved and seconded  
4 all issues, 1 through 6, as stipulated. Any further  
5 discussion? Seeing none, all in favor, say aye.

6                   (Affirmative response.)

7                   Any opposed?

8                   (No response.)

9                   By your action, you have approved the six  
10 stipulated issues. Staff, does that conclude --

11                  **MS. CRAWFORD:** With the -- I'm sorry. With  
12 the approval of all stipulations and the bench vote  
13 that's been taken place, no post-hearing briefs are  
14 necessary. Staff will note the Commission's vote in an  
15 order to be issued by December 1st, 2011. Staff is  
16 aware of no further pending matters in this docket.

17                  **CHAIRMAN GRAHAM:** Are there any other pending  
18 matters that anybody foresees of this docket before we  
19 close it? Seeing none, Docket 03 is closed.

20                  (Proceeding adjourned.)

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

3  
 4 I, LINDA BOLES, RPR, CRR, Official Commission  
 5 Reporter, do hereby certify that the foregoing  
 6 proceeding was heard at the time and place herein  
 7 stated.

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

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

18 DATED THIS 3<sup>rd</sup> day of November, 2011.

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 LINDA BOLES, RPR, CRR  
 FPSC Official Commission Reporter  
 (850) 413-6734