

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 150003-GU

PURCHASED GAS ADJUSTMENT (PGA)
TRUE-UP.

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JULIE I. BROWN
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, November 2, 2015

TIME: Commenced at 1:03 p.m.
Concluded at 1:11 P.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

1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Gunster Law Firm, 215
3 South Monroe Street, Suite 601, Tallahassee, Florida
4 32301-1839, appearing on behalf of Florida Public
5 Utilities Company and Florida City Gas.

6 J. R. KELLY, PUBLIC COUNSEL; CHARLES
7 REHWINKEL, DEPUTY PUBLIC COUNSEL; and PATRICIA A.
8 CHRISTENSEN, ASSOCIATE PUBLIC COUNSEL, ESQUIRES, Office
9 of Public Counsel, c/o The Florida Legislature, 111 West
10 Madison Street, Room 812, Tallahassee, Florida
11 32399-1400, appearing on behalf of the Citizens of the
12 State of Florida.

13 KYESHA MAPP, ESQUIRE, Florida Public Service
14 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
15 Florida 32399-0850, appearing on behalf of the Florida
16 Public Service Commission.

17 MARY ANNE HELTON, DEPUTY GENERAL COUNSEL,
18 Florida Public Service Commission, 2540 Shumard Oak
19 Boulevard, Tallahassee, Florida 32399-0850, appearing as
20 Advisor to the Florida Public Service Commission.

21 CHARLIE BECK, GENERAL COUNSEL, Florida Public
22 Service Commission, 2540 Shumard Oak Boulevard,
23 Tallahassee, Florida 32399-0850, appearing as General
24 Counsel to the Florida Public Service Commission.

25

I N D E X

WITNESSES

NAME:	PAGE NO.
THOMAS KAUFMANN Prefiled Direct Testimony Inserted	10
KANDI M. FLOYD Prefiled Direct Testimony Inserted	22
MICHELLE NAPIER Prefiled Direct Testimony Inserted	41
ANDY SHOAF Prefiled Direct Testimony Inserted	53

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EXHIBITS

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NUMBER:		ID.	ADMTD.
1 - 14	As described on Comprehensive Exhibit List	58	58

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** All right. Good afternoon,
3 everybody. We will call this clause hearing to order,
4 the 2015 clause hearing. Let the record show it is
5 Monday, November the 2nd, and it's probably about
6 three minutes after 1:00.

7 Staff, if I can get you to read the
8 notice, please.

9 **MS. MAPP:** By notice issued October 2nd, 2015,
10 this time and place was set for a hearing in the
11 following dockets: Docket No. 150001-EI, 150002-EG,
12 150003-GU, 150004-GU, and 150007-EI. The purpose of the
13 hearing was set out in the notice.

14 **CHAIRMAN GRAHAM:** All right. Seeing that we
15 have five dockets in front of us, let's take
16 appearances.

17 **MR. BUTLER:** John Butler appearing on behalf
18 of Florida Power & Light Company. With me, Maria
19 Moncada, and also enter an appearance for Wade
20 Litchfield. We are in the 01, 02, and 07 dockets.

21 **MR. BERNIER:** Good afternoon, Matt Bernier on
22 behalf of Duke Energy Florida in the 01, 02, and
23 07 dockets. I'd also like to enter an appearance for
24 Dianne Triplett in those same dockets, and John Burnett
25 in the 01 docket.

1 **CHAIRMAN GRAHAM:** Thank you.

2 **MR. BEASLEY:** Good afternoon, Commissioners.
3 James D. Beasley of the law firm of Ausley & McMullen on
4 behalf of Tampa Electric Company in the 01, 02, and 07
5 dockets. I would also like to enter an appearance for
6 J. Jeffrey Wahlen and Ashley M. Daniels of the same
7 firm.

8 **MR. BADDERS:** Good afternoon. Russell Badders
9 on behalf of Gulf Power Company in the 01, 02, and 07
10 dockets. And I'd like to also enter an appearance for
11 Jeffery A. Stone and Steven R. Griffin in the same
12 dockets.

13 **MS. KEATING:** Good afternoon. Beth Keating
14 with the Gunster Law Firm here today on behalf of FPUC
15 in the 01, 02, and 03 dockets. I'm also here for
16 Florida City Gas in the 03 docket. And in the 04 docket
17 I'm here for FPU, FPU Fort Meade, Indiantown,
18 Chesapeake, and Florida City Gas.

19 **MR. HORTON:** Norman H. Horton, Jr., appearing
20 on behalf of Sebring Gas Company in the 04 docket.

21 **MR. MOYLE:** Jon Moyle with the Moyle Law Firm
22 appearing on behalf of the Florida Industrial Power
23 Users Group, FIPUG. I'd also like to enter an
24 appearance for Karen Putnal who is with our firm, and we
25 will be in the 01, 02, and 07 dockets.

1 **MR. BREW:** Good afternoon. James Brew of the
2 firm of Stone, Mattheis, Xenopoulos & Brew for White
3 Springs Agricultural Chemicals/PCS Phosphate. We're in
4 the 01, 02, and 07 dockets. And I also like to note an
5 appearance for Owen Kopon.

6 **MR. WRIGHT:** Good afternoon, Mr. Chairman,
7 Commissioners. Robert Scheffel Wright and John T.
8 LaVia, III, with the Gardner Law Firm on behalf of the
9 Florida Retail Federation in the 001 docket. Thank you.

10 **MR. REHWINKEL:** Good afternoon, Commissioners.
11 Charles Rehwinkel, J. R. Kelly, Patty Christensen and
12 Erik Sayler with the Office of Public Counsel in the
13 01 docket. The same appearances except for Mr. Sayler
14 in the 02, 03, 04, and 07 dockets.

15 **MS. MAPP:** Kyesha Mapp for staff in the
16 03 docket; Suzanne Brownless, Danijela Janjic, and John
17 Villafrate for the 01 docket; Lee Eng Tan and Bianca
18 Lherisson for the 02 docket; Leslie Ames and Kelly
19 Corbari for the 04 docket; and Charles Murphy for the 07
20 docket.

21 Staff would also like to note that Peoples
22 Gas System and St. Joe's Gas Company has been
23 excused from this hearing in the 03 and the 04
24 dockets.

25 **MS. HELTON:** Mary Anne Helton. I'm here as

1 your advisor in all of the dockets.

2 **MR. BECK:** And Charlie Beck, General Counsel.

3 **CHAIRMAN GRAHAM:** Okay. Any other
4 appearances?

5 All right. Let's move over and we will
6 open up the 03 docket. Staff, any preliminary
7 matters?

8 **MS. MAPP:** Yes, Mr. Chairman. Staff would
9 note that St. Joe Natural Gas Company and Peoples Gas
10 System have been excused from attending the hearing in
11 this docket. And staff would also note that there are
12 proposed stipulations on all issues, with OPC taking no
13 position. All witnesses have been excused and opening
14 statements have been waived.

15 Since the parties are proposing
16 stipulations on all issues in this docket, the
17 Commission may make a bench decision, if it deems it
18 appropriate, on the proposed stipulations located on
19 pages 11 through 12 of the Prehearing Order, Issues
20 1 through 6.

21 **CHAIRMAN GRAHAM:** Commissioners, any
22 questions, concerns, comments, or motions for the
23 03 docket? Commissioner Brown.

24 **COMMISSIONER BROWN:** Mr. Chairman,
25 appreciating all of the time that staff and the parties

1 have worked together on this stipulation here and noting
2 that all parties have approved the stipulation, OPC has
3 taken no position, I would move approval of the
4 stipulations on Issues 1 through 6 in the Prehearing
5 Order as noted on pages 11 and 12 of this docket.

6 **COMMISSIONER EDGAR:** Second.

7 **CHAIRMAN GRAHAM:** It's been moved and
8 seconded, Issues 1 through 6. Any further discussion?
9 Seeing none, all in favor, say aye.

10 (Vote taken.)

11 Any opposed? By your action, you've
12 approved the motion.

13 All right. Into the record.

14 **MS. MAPP:** Staff would ask that the prefiled
15 testimony of all witnesses identified in Section
16 VI, page 4 of the Prehearing Order be entered into the
17 record as though read.

18 **CHAIRMAN GRAHAM:** Do I have to read each one
19 of these names or are we just going to move all the
20 direct testimonies into the record as though read?

21 **MS. MAPP:** Staff would recommend just moving
22 the testimonies into the record as though read.

23 **CHAIRMAN GRAHAM:** We will move those
24 testimonies into the record as though read.

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS KAUFMANN

ON BEHALF OF FLORIDA CITY GAS

(Final True-Up)

DOCKET NO. 150003-GU

1

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

3 A. My name is Thomas Kaufmann. My business address is
4 Elizabethtown Gas, 520 Green Lane, Union, New Jersey, 07083.

5

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

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

11

12 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
13 **EMPLOYMENT EXPERIENCE.**

14 A. In June 1977, I graduated from Rutgers University, Newark with
15 a Bachelor of Arts degree in Business Administration, majoring in
16 accounting and economics. In July 1979, I graduated from
17 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 2014 through December, 2014 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, 2014?

19 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
20 twelve months ended December 31, 2014 is \$28,226,314.

21

1 Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST
2 RECOVERED BY THE COMPANY DURING THE TWELVE
3 MONTHS ENDED DECEMBER 31, 2014?

4 A. The Company recovered \$27,970,409 from customer billings
5 plus an additional \$672,538 from margin sharing credits.
6

7 Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE
8 TWELVE MONTHS ENDED DECEMBER 31, 2014?

9 A. The actual true-up amount, including adjustments, margin
10 sharing and interest, is an over-recovery of \$417,512.
11

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

14 A. Yes. As shown on Schedule A-7, the total fuel cost for the
15 period is \$28,226,314 and the total fuel revenues are
16 \$27,970,409. The difference between the fuel cost and fuel
17 recoveries is an under-recovery of \$255,905. This under-
18 recovery was offset by an adjustment of \$672,538 for margin
19 sharing, and an interest provision, during the period, of \$879.
20 The sum of these is an over-recovery of \$417,512.
21

1 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
2 **JANUARY 2014 THROUGH DECEMBER 2014 PERIOD TO BE**
3 **INCLUDED IN THE 2015 PROJECTION?**

4 A. The final true-up amount for the period of January 2014 through
5 December 2014 to be included in the 2015 projection is an over-
6 recovery of \$1,486,853. This is the difference between the
7 estimated under-recovery of \$1,069,341 that is included in the
8 current cost recovery factor being collected during 2015 and the
9 actual over-recovery of \$417,512.

10

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

12 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY (PROJECTIONS AND PGA CAP) OF

THOMAS KAUFMANN

ON BEHALF OF FLORIDA CITY GAS

DOCKET NO. 150003-GU

August 21, 2015

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

2 A. My name is Thomas Kaufmann. My business address is Elizabethtown
3 Gas, 520 Green Lane, Union, NJ 07083.

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

5 A. I am currently employed as a Manager of Rates and Tariffs and have
6 responsibilities for Florida City Gas ("City Gas" or "the Company").

7 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
8 **EMPLOYMENT EXPERIENCE.**

9 A. In June 1977, I graduated from Rutgers University, Newark, N.J., with a
10 Bachelor of Arts degree in Business Administration, majoring in
11 accounting and economics. In July 1979, I graduated from Fairleigh
12 Dickinson University, Madison, N.J., with a Masters of Business
13 Administration, majoring in finance. My professional responsibilities
14 have encompassed financial analysis, accounting, planning, and pricing
15 in manufacturing and energy services companies in both regulated and
16 deregulated industries. In 1977, I was employed by Allied Chemical
17 Corp. as a staff accountant. In 1980, I was employed by Celanese
18 Corp. as a financial analyst. In 1981, I was employed by Suburban

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

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

9 A. The purpose of my testimony is to present the revised estimate of the
10 Company's projection of gas costs for the period August 2015 through
11 December 2015 and the Company's projection of gas costs for the
12 period January 2016 through December 2016. In addition I will present
13 the development of the maximum rate to be charged to customers for
14 the period January 2016 through December 2016.

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

17 A. Yes. The forms prescribed by the Commission are being filed at this
18 time. Copies are attached to my testimony as Exhibit TK-2.

19

20

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

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

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

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

20

1 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
2 **DIFFERENCES BETWEEN ESTIMATED AND ACTUAL COSTS?**

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

8 **Q. ARE ANY FLORIDA GAS TRANSMISSION (FGT) RATE CHANGES**
9 **PROJECTED IN THIS FILING?**

10 A. No, the FGT rates used in the preparation of this filing are those in
11 effect on August 1, 2015.

12 **Q. ARE THERE ANY UNUSUAL COSTS INCLUDED IN THIS YEAR'S**
13 **FILING?**

14 A. Yes, there are two. On May 10, 2015, Florida City Gas pressure
15 regulating facilities serving Port St. Lucie sustained significant damage
16 as a result of vehicle impact. A vehicle struck an FCG over-pressure
17 relief stack and broke a 2-inch bypass line. The breach caused rapid
18 gas system depressurization, resulting in a mass outage affecting
19 nearly 6,500 customers. While the repairs were being made, gas
20 system section isolation and purging began and included the use of an
21 LNG trailer with vaporization and pressure regulation. The LNG was
22 needed to begin purging and to bring critical customers back online until
23 full restorations could begin. The Company estimates associated costs

1 of \$167,000 related to this incident, of which \$81,825 of this amount
2 has already been captured in actual costs through July. In addition to
3 utilizing LNG for system purging and recovery, the Company used CNG
4 as a temporary gas supply to serve customers affected by the outage.

5 This filing also reflects the inclusion of legal fees related to a Florida
6 Gas Transmission rate case settlement in the amount of \$135,349 have
7 been included, representing the Company's portion of legal expenses
8 shared with other Florida gas utilities. Recovery of these types of costs
9 is consistent with Commission policy applicable to the PGA, because
10 the interstate pipeline rates have a direct impact on the delivered cost
11 of natural gas.

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 2016 through
15 December 2016. For 2016, the Company estimates the gas purchases
16 for resale will be 43,660,459 therms (Line 15) at a total cost of
17 \$29,425,416 (Line 11) with a resulting WACOG of 67.396 cents per
18 therm (Line 40) before the application of the true-up factor and the
19 regulatory assessment fee. Schedule E-4 shows the difference
20 between the estimated actual and actual true-up for the prior period,
21 January 2014 through December 2014, is an over-recovery of \$417,512
22 (Column 3, Line 4). The projected true-up for the current period,
23 January 2015 through December 2015, is an under-recovery of

1 therm before the regulatory assessment fee and 72.882 cents per
2 therm after the regulatory assessment fee. If approved by the
3 Commission, 72.882 cents per therm would be the maximum gas cost
4 factor that City Gas may charge its customers for the period January
5 2016 through December 2016.

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

7 **A.** Yes, it does.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **KANDI M. FLOYD**

5
6 **Q.** Please state your name and business address.

7
8 **A.** My name is Kandi M. Floyd. My business address is 702
9 N. Franklin Street, Tampa, Florida 33602.

10
11 **Q.** By whom are you employed and in what capacity?

12
13 **A.** I am employed by Peoples Gas System ("Peoples") as
14 Manager of State Regulatory, having held that position
15 since 2003.

16
17 **Q.** Please summarize your educational background and
18 professional qualifications.

19
20 **A.** I hold a B.A. in Business Administration from Saint Leo
21 University. From 1995 to 1997, I worked in a series of
22 positions within the Regulatory Affairs Department of
23 Tampa Electric Company. In 1998, I joined Peoples as a
24 Regulatory Coordinator in the Regulatory and Gas Supply
25 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 2014 through December 2014: 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 2014 through
22 December 2014?

23
24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
25 purchased, adjusted for company use, was \$133,525,694.

- 1 **Q.** What was the amount of gas revenue collected for the
- 2 period January 2014 through December 2014?
- 3
- 4 **A.** The amount of gas revenue collected to cover the cost of
- 5 gas was \$135,647,045.
- 6
- 7 **Q.** What was the final true-up amount for the period January
- 8 2014 through December 2014?
- 9
- 10 **A.** The final true-up amount for the period, including
- 11 interest and adjustments, is an over-recovery of
- 12 \$2,213,489.
- 13
- 14 **Q.** Is this amount net of the estimated true-up for the
- 15 period January 2014 through December 2014, which was
- 16 included in the January 2015 through December 2015 PGA
- 17 factor calculation?
- 18
- 19 **A.** No. The final true-up net of the estimated true-up for
- 20 the period January 2014 through December 2014 is an
- 21 under-recovery of \$1,442,494.
- 22
- 23 **Q.** Is this the final under-recovery amount to be included
- 24 in the January 2016 through December 2016 projection?
- 25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

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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 2016 through December 2016
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 2014 through
9 December 2014?

10

11 **A.** The final PGA true-up amount for the year 2014 is an
12 under-recovery of \$1,442,494.

13

14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2015 through December
16 2015?

17

18 **A.** As shown on Schedule E-4, the estimated PGA true-up
19 amount for 2015 is an over-recovery of \$2,256,948.

20

21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be refunded during the period January 2016
23 through December 2016?

24

25 **A.** The total PGA true-up amount to be refunded in 2016 is

1 an over-recovery of \$814,458.

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 2016 through
11 December 2016.

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, Sarasota, and Orlando
20 Divisions. Receiving gas supply through multiple
21 interstate pipelines provides valuable flexibility and
22 reliability 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. The actual takes
25 of gas out of the Peoples system by transport customers

1 varies significantly from day to day. Since significant
2 portions of the total transportation volumes are
3 received by Peoples at a uniform daily rate, Peoples is
4 forced to increase or decrease the volumes purchased for
5 its own system supply by significant increments in order
6 to maintain a balance between receipts and deliveries of
7 gas each day. As a consequence, Peoples must buy a
8 portion of its total system requirements under swing
9 contract arrangements, and meet extreme variations in
10 delivered volumes by relying on swing gas, peaking gas,
11 pipeline balancing volumes and pipeline no notice
12 service at the prevailing rates for such services.

13
14 **Q.** How did Peoples estimate the amount of gas to be
15 purchased from various sources during the projected
16 period of January 2016 through December 2016?

17
18 **A.** Peoples' projected gas purchases are based on the
19 Company's preliminary total throughput of therms
20 delivered to customers projected for 2016, including
21 both sales of Peoples' system supply and transportation
22 deliveries of third party gas purchased by end-users of
23 Peoples. The throughput was then adjusted for the
24 anticipated level of transportation service.

25

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

3

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

11

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

14

15 **A.** The price to be paid for natural gas is estimated based
16 on an evaluation of historical prices for gas delivered
17 to the FGT, Southern, and Gulfstream systems, futures
18 contracts as reported on the New York Mercantile
19 Exchange and forecasts of market prices for the
20 projection period of January 2016 through December 2016.
21 These prices are then adjusted to reflect the potential
22 for implied volatility increases and unexpected and
23 unforeseen increases due to market forces particularly
24 in the monthly and daily markets for natural gas prices
25 in the projection period.

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

5
6 **A.** Schedule E-3 (G) is a compilation of the monthly data
7 that appears on Schedules E-3 (A) through (F) for the
8 corresponding months of January 2016 through December
9 2016. In Schedules E-3 (A) through (F), Column (A)
10 indicates the applicable month for all data on the page.
11 In Column (B), "FGT" indicates that the volumes are to
12 be purchased from third party suppliers for delivery via
13 FGT interstate pipeline transportation. "SOUTHERN"
14 indicates that the volumes are to be purchased from a
15 third party supplier for delivery via Southern
16 interstate pipeline transportation. "GULFSTREAM"
17 indicates that the volumes are to be purchased from a
18 third party supplier for delivery via Gulfstream
19 interstate pipeline transportation. "THIRD PARTY"
20 indicates that the volumes are to be purchased directly
21 from various third party suppliers for delivery into
22 FGT, Southern, or Gulfstream.

23
24 In Column (C), "PGS" means the purchase will be for
25 Peoples' system supply and will become part of Peoples'

1 total WACOG. None of the costs of gas or transportation
2 for end-use purchases made by end-use customers of
3 Peoples are included in Peoples' WACOG. In Column (D),
4 purchases of pipeline transportation services from FGT
5 under Rate Schedules FTS-1, FTS-2, and FTS-3 are split
6 into two components, commodity (or "usage") and demand
7 (or "reservation"). Both Peoples and end-users pay the
8 usage charge based on the actual amount of gas
9 transported. The FTS-1, FTS-2, and FTS-3 commodity
10 costs shown include all related transportation charges
11 including usage, fuel and ACA charges. The FTS-1, FTS-
12 2, and FTS-3 demand component is a fixed charge based on
13 the maximum daily quantity of FTS-1, FTS-2, and FTS-3
14 firm transportation capacity reserved. Similarly, the
15 transportation rates of Southern and Gulfstream also
16 consist of two components, a usage charge and a
17 reservation charge. Individual Transportation Service
18 customers reimburse Peoples or directly pay FGT for all
19 pipeline reservation charges associated with the
20 transportation capacity that Peoples reserves and uses
21 on their behalf.

22
23 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
24 (or "NNTS") means FGT's no notice service provided to
25 Peoples on a fixed charge basis for use when Peoples'

1 actual use exceeds scheduled quantities. "SWING
2 SERVICE" means the demand and commodity component of the
3 cost of third party supplies purchased to meet Peoples
4 "swing" requirements for supply that fluctuate on a day-
5 to-day basis. "STORAGE DEMAND" means the demand
6 component related to third party storage costs.
7 "COMMODITY" means third party purchases of gas
8 transported on FGT, Southern or Gulfstream and does not
9 include any purchases of sales volumes from FGT.

10
11 Column (E) shows the monthly quantity in therms of gas
12 purchased by Peoples for each category of system supply.
13 Column (F) shows the gas purchased by end-users for
14 transportation.

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

17 Columns (H), (I), (J) and (K) show the corresponding
18 third party supplier commodity costs, pipeline
19 transportation commodity costs, pipeline transportation
20 reservation costs, and other charges (e.g., balancing
21 charges), respectively. These costs are determined
22 using the actual amounts paid by Peoples. In the case
23 of end-user transportation, these costs are reimbursed
24 to Peoples or paid directly to FGT. All ACA and fuel
25 charges are included in the commodity costs in Column

1 (I) and, therefore, are not shown in Column (K). Column
2 (L) in each row is the sum of Columns (H), (I), (J) and
3 (K) divided by Column (G).

4
5 **Q.** Please explain the components of these schedules and the
6 assumptions that were made in developing the Company's
7 projections.

8
9 **A.** Schedule E-1 is shown in three versions. Page 18
10 relates to Cost of Gas Purchased, Therms Purchased, and
11 Cents Per Therm for Combined Rate Classes, Page 19
12 relates to Residential Customers, and Page 20 relates to
13 Commercial Customers.

14
15 The costs associated with various categories or items
16 are shown on lines 1 through 14. Line 6 on Schedule E-1
17 includes legal expenses associated with various
18 interstate pipeline dockets such as tariff filings,
19 seasonal fuel filings and certification proceedings. In
20 addition, legal expenses have been included because FGT
21 filed a rate proceeding on November 1, 2014. The
22 procedural schedule in Docket No. RP15-101 has been
23 suspended at this time, and the parties to the
24 proceeding are working through the settlement process.
25 It is anticipated that if an ultimate settlement is

1 filed at FERC by October, 2015 it will more than likely
2 be certified by and Administrative Law Judge and
3 subsequently approved by FERC during the first quarter
4 of 2016. Once approved, the settlement rates go into
5 effect upon the effective date of the FERC order. These
6 expenses have historically been included for recovery
7 through the Purchased Gas Adjustment Clause because they
8 are fuel related expenses. The volumes consumed for
9 similar categories or items are shown on lines 15
10 through 27, and the resulting effective cost per therm
11 rate for each similar category or item is contained on
12 lines 28 through 45.

13
14 The data shown on Schedule E-1 are taken directly from
15 Schedules E-3 (A) through (F) for the months of January
16 2016 through December 2016.

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

20
21 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
22 months actual and five months estimated data for the
23 current period from January 2015 through December 2015
24 for all combined customer classes.

25

1 Q. What information is presented on Schedule E-2 of
2 Composite Exhibit KMF-2?

3

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

7

8 Q. What is the purpose of Schedule E-4 of Composite Exhibit
9 KMF-2?

10

11 A. Schedule E-4 of Composite Exhibit KMF-2 simply shows the
12 calculation of the estimated true-up amount for the
13 January 2015 through December 2015 period. It is based
14 on actual data for seven months and projected data for
15 five months.

16

17 Q. What information is contained on Schedule E-5 of
18 Composite Exhibit KMF-2?

19

20 A. Schedule E-5 of Composite Exhibit KMF-2 is statistical
21 data that includes the projected therm sales and numbers
22 of customers by customer class for the period from
23 January 2016 through December 2016.

24

25 Q. How have you incorporated the Residential PGA factor and

1 the Commercial PGA factor in the derivation of the PGA
2 cap for which the company seeks approval?
3

4 **A.** On April 5, 1998, the Commission issued Order No. PSC-
5 99-0634-FOF-GU as a Proposed Agency Action in Docket No.
6 981698-GU, and the Order subsequently became final.
7 This Order approved Peoples Gas' request for approval of
8 a methodology for charging separate Purchased Gas
9 Adjustment factors for different customer classes.
10 Under the approved methodology, separate PGA factors are
11 derived by assigning the fixed, interstate pipeline
12 reservation costs to each customer class according to
13 the class' contribution to the company's peak month
14 demand for the winter season and the summer season.
15 Exhibit KMF-2, Page 39, labeled Attachment, contains the
16 seasonal peak allocation factors based on the most
17 recent peak month data available, February 2015 and
18 April 2015. These allocation factors are then applied
19 to Schedule E-1 to derive the Residential, Commercial
20 and Combined for All Rate Classes. The WACOG for which
21 Peoples seeks approval as the annual cap is the
22 Residential factor of \$.96064 per therm as shown in
23 Schedule E-1. This annual cap will be applicable to all
24 rate classes.
25

1 Q. Does this conclude your testimony?

2

3 A. Yes, it does.

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 150003-GU
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP
Direct Testimony of
Michelle D. Napier
(Final True Up)
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Michelle D. Napier 1641 Worthington Road, Suite 220, West Palm
3 Beach, FL 33409.

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

5 A. I am employed by Florida Public Utilities Company as the Senior
6 Regulatory 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, 2014 through
10 December 31, 2014, as compared to the true-up amount previously
11 reported for that period which was based on six months actual and six
12 months estimated.

13 Q. Please state the actual amount of over/under recovery of the Purchased
14 Gas Adjustment for January 1, 2014 through December 31, 2014.

15 A. During January 2014 through December 2014, FPUC over-recovered
16 \$1,409,112.

1 Q. How does this amount compare with the estimated true-up amount,
2 which was allowed by the Commission during the October 2014
3 hearing?

4 A. As recognized in Order No. PSC-14-0657-FOF-GU, in Docket No.
5 140003-GU, FPUC had an anticipated over-recovery of \$728,413,
6 based upon six months of actual and six months of projected data.

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

8 A. We prepared and pre-filed composite Exhibit MDN-1, containing
9 Schedule A-7, Final Fuel Over/Under Recovery for the Period January
10 2014 through December 2014.

11 Q. Does this conclude your testimony?

12 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

(Actual/Estimated and Projections)

DIRECT TESTIMONY

OF MICHELLE D. NAPIER

On behalf of Florida Public Utilities Company

1 Q. Please state your name and business address.

2 A. My name is Michelle D. Napier. My business address is 1641 Worthington
3 Road, Suite 220, West Palm Beach, Florida 33409.

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

5 A. I am employed by Florida Public Utilities Company (FPUC) as the Senior
6 Regulatory Analyst.

7 Q. Can you please provide a brief overview of your educational and employment
8 background?

9 A. I graduated from University of South Florida in 1986 with a BS degree in
10 Finance. I have been employed with FPUC since 1987. During my
11 employment at FPUC, I have performed various roles and functions in
12 accounting, management and most recently, regulatory accounting (PGA,
13 conservation, earnings surveillance reports, regulatory reporting).

14 Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the
15 Company and the associated projected and actual revenues and costs?

16 A. Yes.

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

18 A. My testimony will establish the PGA "true-up" collection amount, based on

1 actual January 2014 through June 2015 data and projected July through
2 December 2015 data. My testimony will describe the Company's forecast of
3 pipeline charges and commodity costs of natural gas for 2016. Finally, I will
4 summarize the computations that are contained in composite exhibit MDN-2
5 supporting the January through December 2016 projected PGA recovery (cap)
6 factor for the FPUC consolidated gas division.

7 Q. Did you complete the schedules filed by your Company?

8 A. Yes.

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

10 A. The Company has prepared and previously filed True-Up schedules A-1, A-2,
11 A-3, A-4, A-5, A-6 and A-7, in addition to filing composite exhibit MDN-2,
12 which is included with my testimony, that contains Schedules E-1, E-1/R, E-2,
13 E-3, E-4, and E-5 for the FPUC consolidated gas division. These schedules
14 support the calculation of the PGA recovery (cap) factor for January through
15 December 2016.

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

18 A. The purchases for the gas cost projection model are based on projected sales to
19 traditional non-transportation service customers. Florida Gas Transmission
20 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges
21 (including surcharges) and fuel rates, based on the prices from the FGT rate
22 case settlement, were used for the entire projection period. As is further
23 explained herein, the Company has also included costs related to further

1 expansions in Nassau, Okeechobee, Polk, and Palm Beach Counties. The
2 expected costs of natural gas purchased by the Company during the projection
3 period were developed using actual prices paid during relevant historical
4 periods and the Henry Hub natural gas futures pricing through the end of the
5 projection period. The forecasts of the commodity costs were then adjusted to
6 reflect the unexpected potential market increases in the projection period.

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

9 A. The Company has forecasted the 2016-weighted average cost of gas using the
10 projected monthly pipeline demand costs, less the projected cost of capacity
11 temporarily relinquished to third parties, the projected pipeline usage and no-
12 notice costs and the projected supplier commodity costs. The sum of these
13 costs are then divided by the projected therm sales to the traditional non-
14 transportation customers resulting in the projected weighted average cost of
15 gas and ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.
16 Capacity shortfall, if any, would be satisfied by gas and capacity repackaged
17 and delivered by another FGT capacity holder. If other services become
18 available and it is economic to dispatch supplies under those services, the
19 Company will utilize those services as part of its portfolio.

20 Q. What is the status of the planned expansion opportunities in both Nassau
21 County and Palm Beach County?

22 A. The Company entered into a Transportation Service Agreement with Peninsula
23 Pipeline Company (PPC) for intrastate pipeline capacity in Nassau County,

1 which was approved by this Commission December 31, 2014, Order Number
2 PSC-14-0713-PAA-GU. FPUC contracted with PPC to extend the PPC
3 transmission pipeline from the Fernandina Beach Line on SR 17, along
4 William Burgess Road and SR 200 to a point east of I-95. FPUC tapped this
5 line to extend its distribution system in Nassau County. This PPC project
6 provides gas infrastructure near Yulee, Florida. The expansion in Nassau
7 County was completed and in service earlier this year. FPUC entered into
8 another agreement, approved December 31, 2014, Order Number PSC-14-
9 0712-PAA-GU, with PPC to increase contract capacity on the Riviera Beach
10 Lateral, extend the pipeline at the Port of Palm Beach in Riviera Beach, Florida
11 and relocate 820 feet of existing 4" low-pressure plastic main. This relocation
12 allows FPUC to avoid a large non-revenue generating project, eliminate
13 pressure problems in the Port, significantly improve FPUC distribution
14 pressure issues south of the Port and give FPUC the opportunity to serve future
15 customers. The expected in service date is December 2015 for the relocation
16 project.

17 Q. Please describe any additional planned expansion opportunities.

18 A. In addition to the projects discussed above, the Company has identified an
19 additional potential opportunity to expand and reinforce its distribution system
20 in Palm Beach County. The Palm Beach connector will enable FPUC to move
21 additional capacity to western Palm Beach County to support an expanding
22 area. This potential project includes a planned large residential and
23 commercial community by Minto in the far western portion of Palm Beach

1 County. In addition to providing for the potential growth at Minto, the Palm
2 Beach connector will allow FPUC to move additional capacity to the eastern
3 part of Palm Beach County, which is becoming increasingly more constrained.
4 This potential for additional capacity from the Palm Beach connector will help
5 FPUC to reinforce the southeastern section of its distribution system, as well as
6 continue expanding in the area.

7 Q. Are the pipeline capacity and supply costs associated with expansions
8 appropriate for recovery in the PGA docket?

9 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
10 upstream transmission pipeline capacity, transportation and related supply
11 costs associated with service expansions to new areas. The Commission
12 reviewed and approved the Company's agreements with both PPC and
13 TECO/PGS to bring natural gas service to Nassau County as well as Palm
14 Beach County.

15 Q. Did you include costs of other expansions or interconnects related to Florida
16 Division of Chesapeake Utilities (CFG) in the calculations of your true-up and
17 projected amounts?

18 A. Yes. There is a local distribution company (LDC) to LDC interconnect with
19 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando
20 County. In addition, in January 2015, PPC filed a petition for approval of
21 transportation service agreement (approved by this Commission May 2015,
22 Order No. PSC-15-0206-PAA-GU) with CFG to construct and maintain a 14.2

1 mile, 6-inch steel pipeline from Gulfstream's Baseball City Gate southward
2 through Davenport and Haines City with interconnections to CFG's facilities.

3 Q. Please explain how these costs incurred by CFG are recoverable under the
4 PGA clause.

5 A. Since CFG provides transportation service only, it no longer has a PGA
6 mechanism. Thus, in accordance with Order No. PSC-02-1646-TRF-GU, CFG
7 established an Operational Balancing Account (OBA), the intent of which is to
8 authorize the company to recover or refund charges or credits that historically
9 would have been recovered from or allocated through PGA. Under CFG's
10 current OBA mechanism, CFG would have assigned its total payments to PPC
11 to the two TTS Shippers on CFG's system. However, in April 2015, the
12 Company filed a joint petition for approval of modified cost allocation
13 methodology and revised purchased gas adjustment calculation (Phase I),
14 which was ultimately approved by the Commission by Order No. PSC-15-
15 0321-PAA-GU, issued August 10, 2015.

16 Phase I allows the CHPK Florida Companies (FPUC, CFG, Florida Public
17 Utilities-Indiantown Division and Fort Meade) to reallocate the intrastate and
18 LDC to LDC unreleased capacity related components of the PGA mechanism
19 for FPUC and the OBA mechanism for CFG. As the Commission recognized,
20 Phase I moves toward a more equitable allocation of the unreleased capacity
21 and transportation components of the PGA, as well as transportation and
22 unreleased capacity costs embedded in the OBA, across a broader base of
23 Florida customers served by the CHPK Florida Companies. Thus, this filing

1 reflects the CHPK Florida Companies' implementation of Phase I as approved
2 by the Commission.

3 Q. Will there be a Phase II and if so, what will Phase II entail?

4 A. Yes. In Phase II, the CHPK Florida Companies anticipate proposing that the
5 allocation of all costs be expanded to include transportation service customers
6 on FPUC's system (i.e., customers who are not part of the current PGA
7 mechanism) as well as shippers on CFG's system that are not part of the TTS
8 pools. The Companies believe that these customers ultimately should bear
9 their fair portion of the intrastate capacity costs. However, the Companies
10 recognize that shippers for these larger classes of customers provide a service
11 under contracts that will likely need to be amended to adjust for the revised
12 cost allocations and systems need to be implemented to allow for billing of
13 these charges to transportation customers and/or shippers. The Companies held
14 an initial meeting with shippers in May 2015 to discuss plans for this phase
15 and follow up communications took place in July 2015.

16 Q. What is the estimated effect of Phase II on PGA factor?

17 A. The Company anticipates future savings related to Phase II since the costs will
18 be allocated over a broader base of customers. However, the anticipated
19 savings are not reflected in this filing. The allocation methodology is being
20 developed in conjunction with the Company's shipper population, as well as
21 with other LDC's in the state. The completion of this Phase II allocation
22 methodology is anticipated later this year. Depending on the methodology
23 ultimately approved by the Commission for Phase 2, implementation may

1 occur in 2016 or 2017, depending on whether this cost is directly billed to the
2 Shippers or billed to the customers by the Company.

3 Q. Have the appropriate related costs been included in the Projections for 2016?

4 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2,
5 the Company has included the costs of existing and planned interstate and
6 intrastate capacity agreements, as well as the costs associated with the
7 approved Phase I capacity allocation methodology as described above.

8 Q. Did you include costs in addition to the costs specific to purchased gas in the
9 calculations of your true-up and projected amounts?

10 A. Yes, included with our purchased gas costs are consulting and legal expenses
11 associated with the new capacity allocation methodology affecting the shippers
12 and transportation customers. We have also included costs associated with
13 representation by trade associations, consultants and legal services that are
14 directly related to our purchased gas costs and appropriate for recovery in the
15 PGA clause.

16 Q. Please explain how these costs were determined to be recoverable under the
17 PGA clause.

18 A. The costs the Company has included are PGA-related costs and were not
19 anticipated or included in the cost levels used to establish the current base
20 rates. To be clear, these costs are not tied to the Company's internal staff
21 involvement in purchased gas procurement and administration. Instead, these
22 costs are associated with external contracts, which were unanticipated, but are
23 integrally related to the gas purchase function. These costs either relate to fuel

1 savings, or to the Company's efforts to protect current fuel savings, and
2 directly benefit our customers. These are costs that have historically been
3 allowed for recovery through the PGA and are not being recovered through the
4 Companies' base rates.

5 Q. What were the costs outside of purchased gas costs, included in the true-up and
6 projected amounts.

7 A. The Company engaged Pierpont and McLelland, LLC (Pierpont) and Gunster,
8 Yoakley & Stewart, P.A. (Gunster) for assistance in the development and
9 enactment of the consolidation and allocation of interstate and intrastate
10 pipeline capacity (Phase I and II), which are designed to equitably allocate
11 unreleased capacity and transportation components across a broader base of
12 customers. These costs directly influence the Company's PGA factor and are
13 appropriate for recovery through the PGA clause.

14 In addition, trade association fees associated with legal and consulting services
15 retained with regard to the FGT rate proceeding have also been included.
16 Expenses associated with participation in proceedings involving interstate
17 pipelines have historically been included for recovery through the PGA clause
18 because they are expenses impacting the delivered price of fuel.

19 Q. What is the appropriate final PGA true-up amount for the period
20 January through December 2014?

21 A. As shown on Schedule E-4, the final PGA true-up amount for the period
22 January through December 2014 is an over-recovery of \$680,691, inclusive of
23 interest.

1 Q. What is the projected PGA true-up amount for the period January through
2 December 2015?

3 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
4 recovery of \$932,608, inclusive of interest, for the period January through
5 December 2015.

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

7 A. The projection period is January through December 2016.

8 Q. What is the total projected PGA true-up amount to be collected from or
9 refunded to customers for the period January through December 2016?

10 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the
11 period January through December 2016 is \$1,613,299.

12 Q. What is the appropriate PGA recovery (cap) factor for the period January
13 through December 2016?

14 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 96.810¢ per
15 therm for the period January through December 2016.

16 Q. What should be the effective date of the PGA recovery (cap) factor for billing
17 purposes?

18 A. The PGA recovery (cap) factor should be effective for all meter readings
19 during the period of January 1, 2016 through December 31, 2016.

20 Q. Does this conclude your testimony?

21 A. Yes.

1 Final True-Up January 2013 - December 2013

2 Q. What were the total therm sales for the period January
3 2014 through December 2014?

4 A. Total therm sales were 1,066,764 therms.

5 Q. What were total therm purchases for the period January
6 2014 through December 2014?

7 A. Total therm purchases were 948,970.

8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2014 through December 2014?

10 A. The cost of gas purchased for January 2014 through
11 December 2014 was \$648,957.30.

12 Q. What was the amount of gas revenue collected for the
13 period January 2014 through December 2014?

14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$619,149.

16 Q. What is the total true-up provision for the period
17 January 2014 through December 2014?

18 A. The total true-up provision, including interest, is an
19 under-recovery of \$29,812.50 for the period.

20 Q. What is the amount of estimated true-up included for
21 January 2014 thru December 2014 in the January 2015
22 through December 2015 PGA factor calculation?

23 A. The amount of estimated true-up for the period January
24 thru December 2014 included in the January 2015 through
25 December 2015 PGA factor calculation was an over-

1 recovery of \$7,925.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2014 period to be included in the
4 January 2016 through December 2016 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2016 through December 2016
7 projection is \$37,737.50.

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, 2016 through December 31, 2016?

3 A. 72.50 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 **MS. MAPP:** Staff has compiled a stipulated
2 Comprehensive Exhibit List which includes the prefiled
3 exhibits attached to witness testimony in this docket.
4 The list has been provided to the parties, the
5 Commissioners, and the court reporter. This list is
6 marked as the first hearing exhibit, and the other
7 exhibits should be marked as set forth in the chart.

8 Staff will -- would like to move
9 Exhibits 1 through 4 [sic] into the record as set
10 forth in the Comprehensive Exhibit List.

11 **CHAIRMAN GRAHAM:** Is there any concerns about
12 moving that into the record, 1 through 14?

13 **MS. MAPP:** I'm sorry, 1 through 14, yes.

14 **CHAIRMAN GRAHAM:** I don't see anybody saying
15 no, so we will do that.

16 **MS. MAPP:** So staff would move Exhibits 1
17 through 14 into the record at this time.

18 **CHAIRMAN GRAHAM:** We will move 1 through 14
19 into the record.

20 (Exhibits 1 through 14 marked for
21 identification and admitted into the record.)

22 So does that conclude this hearing?

23 **MS. MAPP:** There are no further matters. And
24 as the Commission made a bench decision, staff would
25 note that the final order should be issued by

1 November 25th, 2015.

2 **CHAIRMAN GRAHAM:** Please note that's different
3 than what's in the script, but it's the 25th. That was
4 a typo.

5 Okay. So we will adjourn Docket No. 3.
6 And my understanding is the other four are going to
7 be the same.

8 (Proceeding adjourned at 1:11 p.m.)
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1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, 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 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 13th day of November, 2015.

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