

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160003-GU

PURCHASED GAS ADJUSTMENT (PGA)
TRUE-UP.

PROCEEDINGS: HEARING

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

DATE: Wednesday, November 2, 2016

TIME: Commenced at 9:44 a.m.
Concluded at 9:47 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

1 APPEARANCES:

2 GREGORY M. MUNSON, ESQUIRE, Gunster Law Firm,
3 215 South Monroe Street, Suite 601, Tallahassee, Florida
4 32301-1839, appearing on behalf of Florida Public
5 Utilities Company - Fort Meade and Florida
6 City Gas.

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

13 MARGO LEATHERS and WESLEY TAYLOR, ESQUIRES,
14 FPSC General Counsel's Office, 2540 Shumard Oak
15 Boulevard, Tallahassee, Florida 32399-0850, appearing on
16 behalf of the Florida Public Service Commission Staff.

17 MARY ANNE HELTON, DEPUTY GENERAL COUNSEL,
18 Advisor to the Florida Public Service Commission, 2540
19 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.
20
21
22
23
24
25

I N D E X

WITNESSES

NAME:	PAGE NO.
THOMAS KAUFMANN Prefiled Testimony Inserted	10
KANDI M. FLOYD Prefiled Testimony Inserted	21
MICHELLE D. NAPIER Prefiled Testimony Inserted	40
ANDY SHOAF Prefiled Testimony Inserted	50

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXHIBITS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

NUMBER:	ID.	ADMTD.
1 Comprehensive Exhibit List	55	55
2 through 14 (as identified on Comprehensive Exhibit List)	56	56

P R O C E E D I N G S

1
2 **CHAIRMAN BROWN:** I'd like to -- there are five
3 dockets, as you know, that we are going to address
4 today, and we will be taking appearances all at once
5 today. I know some folks have replaced other folks and
6 made notices of appearances. But, please, when you
7 enter your appearance, declare the dockets that you're
8 entering the appearance for.

9 Also, I know that after the parties make their
10 appearances, staff will be needing to make theirs. So
11 we're going to start right now with Florida Power &
12 Light.

13 **MR. BUTLER:** Thank you, Madam Chair.

14 John Butler appearing on behalf of Florida
15 Power & Light Company in the 01, 02, and 07 dockets.
16 I'd also like to enter an appearance for Wade Litchfield
17 in those three dockets, for Ken Rubin in the 02 docket,
18 and Maria Moncada in the 01 and 07 dockets. Thank you.

19 **CHAIRMAN BROWN:** Thank you.

20 Duke.

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

1 **CHAIRMAN BROWN:** Thank you.

2 Gulf.

3 **MR. BADDERS:** Good morning. Russell Badders
4 on behalf of Gulf Power. With me I have Jeffrey A.
5 Stone, and Steve Griffin is also in this docket in 02,
6 01, and 07.

7 **CHAIRMAN BROWN:** Thank you.

8 TECO.

9 **MR. BEASLEY:** Good morning, Madam Chair. Jim
10 Beasley in the 01, 02, and 07 dockets on behalf of Tampa
11 Electric Company. I'd also like to enter an appearance
12 for J. Jeffry Wahlen and Ashley M. Daniels in the same
13 dockets.

14 **CHAIRMAN BROWN:** Thank you.

15 Mr. Moyle.

16 **MR. MOYLE:** Good morning.

17 **CHAIRMAN BROWN:** Good morning.

18 **MR. MOYLE:** Jon Moyle on behalf of the Florida
19 Industrial Power Users Group, FIPUG. And I'd also like
20 to enter an appearance for Karen Putnal.

21 **CHAIRMAN BROWN:** Thank you. And the dockets
22 that you will be --

23 **MR. MOYLE:** Oh, I'm sorry. 01, 02, and 07.

24 **CHAIRMAN BROWN:** Thank you.

25 **MR. MOYLE:** Thank you.

1 **MS. SPARKMAN:** Good morning. My name is Paula
2 Sparkman, and I'm here on behalf of Sebring Gas in the
3 04 docket.

4 **CHAIRMAN BROWN:** Thank you.

5 Good morning.

6 **MR. MUNSON:** Good morning. I'm Greg Munson.
7 I'm here on behalf of Florida City Gas in the 03 and
8 04 dockets. Also here on behalf of Florida Public
9 Utilities in the 01 and 02 dockets; Florida Public
10 Utilities, FPUC-Fort Meade in the 03 docket; Florida
11 Public Utilities, FPUC-Fort Meade, FPUC-Indiantown
12 District, Florida Division of Chesapeake Utilities
13 Corporation in the 04 docket.

14 **CHAIRMAN BROWN:** Very complicated.

15 **MR. MUNSON:** I have notes.

16 **CHAIRMAN BROWN:** Thank you.

17 Good morning.

18 **MR. BREW:** Good morning. James Brew for White
19 Springs Agricultural Chemical/PCS Phosphate appearing in
20 the 01, 02, and 07 dockets. And I'd like to make an
21 appearance for Laura Wynn.

22 **CHAIRMAN BROWN:** Thank you.

23 Good morning, Mr. Wright.

24 **MR. WRIGHT:** Good morning, Madam Chairman,
25 Commissioners. Robert Scheffel Wright and John T.

1 LaVia, III, appearing on behalf of the Florida Retail
2 Federation in the fuel docket, 0001. Thank you.

3 **CHAIRMAN BROWN:** Thank you.

4 Good morning, Ms. Christensen.

5 **MS. CHRISTENSEN:** Good morning. Patricia
6 Christensen on behalf of the Office of Public Counsel.
7 I'd also like to put in an appearance for J.R. Kelly,
8 the Public Counsel; Charles Rehwinkel; Erik Sayler; and
9 Stephanie Morse in the 01, 02, 03, 04, and 07 dockets.

10 **CHAIRMAN BROWN:** Thank you so much.

11 All right. Back to staff.

12 **MS. TAN:** Lee Eng Tan for the 02 docket, Margo
13 Leathers and Wesley Taylor for the 03 docket, Kelley
14 Corbari for the 04 docket, Charles Murphy and Bianca
15 Lherisson for the 07 docket, and Danijela Janjic and
16 Suzanne Brownless for the 01 docket.

17 **CHAIRMAN BROWN:** Thank you.

18 **MS. HELTON:** And Mary Anne Helton. I'm here
19 as your advisor in all of the dockets.

20 * * * * *

21 **CHAIRMAN BROWN:** And now we will open up the
22 03 docket, which is the purchased gas adjustment.

23 Hi, Ms. Leathers.

24 **MS. LEATHERS:** Good morning.

25 **CHAIRMAN BROWN:** Are there any preliminary

1 matters?

2 **MS. LEATHERS:** Yes, ma'am. We note that
3 St. Joe Natural Gas Company and Peoples Gas System have
4 both been excused from the hearing, and also there are
5 proposed stipulations on all issues. All witnesses have
6 been excused, and all the parties present have waived
7 opening statements.

8 **CHAIRMAN BROWN:** Thank you. Again, this is a
9 very streamlined proceeding today. I will note that.
10 So let's go to the prefiled testimony for witnesses.

11 **MS. LEATHERS:** Yes, Chairman. Staff will ask
12 that the prefiled testimony of all witnesses identified
13 in Section VI of the Prehearing Order, that's page 4, be
14 inserted into the record as though read.

15 **CHAIRMAN BROWN:** We'll go ahead and insert the
16 prefiled testimony of all witnesses identified in
17 Section VI of the Prehearing Order into the record as
18 though read.

19
20
21
22
23
24
25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS KAUFMANN

ON BEHALF OF FLORIDA CITY GAS

(Final True-Up)

DOCKET NO. 160003-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., (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 2015 through December, 2015 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, 2015?**

19 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
20 twelve months ended December 31, 2015 is \$22,913,103.

21

1 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
2 **RECOVERED BY THE COMPANY DURING THE TWELVE**
3 **MONTHS ENDED DECEMBER 31, 2015?**

4 A. The Company recovered \$22,192,540 from customer billings
5 plus an additional \$767,438 from margin sharing credits.

6

7 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
8 **TWELVE MONTHS ENDED DECEMBER 31, 2015?**

9 A. The actual true-up amount, including adjustments, margin
10 sharing and interest, is an over-recovery of \$48,961.

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 \$22,913,103 and the total fuel revenues are
16 \$22,192,540. The difference between the fuel cost and fuel
17 recoveries is an under-recovery of \$720,563. This under-
18 recovery was offset by an adjustment of \$767,438 for margin
19 sharing, and an interest provision, during the period, of \$2,086.
20 The sum of these is an over-recovery of \$48,961.

21

1 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
2 **JANUARY 2015 THROUGH DECEMBER 2015 PERIOD TO BE**
3 **INCLUDED IN THE 2016 PROJECTION?**

4 A. The final true-up amount for the period of January 2015 through
5 December 2015 to be included in the 2016 projection is an over-
6 recovery of \$979,356. This is the difference between the
7 estimated under-recovery of \$930,395 that is included in the
8 current cost recovery factor being collected during 2016 and the
9 actual over-recovery of \$48,961.

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. 160003-GU

August 18, 2016

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 2016 through
11 December 2016 and the Company's projection of gas costs for the
12 period January 2017 through December 2017. In addition I will present
13 the development of the maximum rate to be charged to customers for
14 the period January 2017 through December 2017.

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, 2016.

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 2017 through
15 December 2017. For 2017, the Company estimates the gas purchases
16 for resale will be 40,491,687 therms (Line 15) at a total cost of
17 \$28,821,057 (Line 11) with a resulting WACOG of 71.178 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 2015 through December 2015, is an over-recovery of \$979,356
22 (Column 3, Line 4). The projected true-up for the current period,
23 January 2016 through December 2016, is an under-recovery of

1 \$2,292,715 (Column 4, line 4). The total true-up as shown on Schedule
2 E-4 is an under-recovery of \$1,313,360 for a true-up charge factor of
3 3.244 cents per therm that would be applied during the projected period
4 (Schedule E-1, Line 41). This true-up factor increases the gas cost
5 factor during the projected period to 74.421 cents per therm (Line 42)
6 before the regulatory assessment fee. With the regulatory assessment
7 fee added, the PGA factor is 74.796 cents per therm (Line 44) based on
8 the average of the winter and summer seasons.

9 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
10 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
11 **THE PGA CAP IN 2017?**

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

15

<u>Winter Average, per Therm</u>	
Total Cost (Line 11)	\$17,705,917
Total Therm Sales (Line 27)	22,579,986
(Line 11/ Line 27)	\$0.78414
True-up	\$0.03244
Before Regulatory Assessment	\$0.81658
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$0.82068

16
17 As shown above, the maximum levelized purchased gas factor based
18 on the Company's expected winter cost of gas is 81.658 cents per

1 therm before the regulatory assessment fee and 82.068 cents per
2 therm after the regulatory assessment fee. If approved by the
3 Commission, 82.068 cents per therm would be the maximum gas cost
4 factor that City Gas may charge its customers for the period January
5 2017 through December 2017.

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

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

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

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. I have caused to be prepared as Composite Exhibit
16 KMF-1 the following schedule with respect to the final
17 true-up for the period January 2015 through December
18 2015: A-7 - 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 2015 through
22 December 2015?

23

24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
25 purchased, adjusted for company use, was \$138,539,694.

1 Q. What was the amount of gas revenue collected for the
2 period January 2015 through December 2015?

3

4 A. The amount of gas revenue collected to cover the cost of
5 gas was \$135,087,128.

6

7 Q. What was the final true-up amount for the period January
8 2015 through December 2015?

9

10 A. The final true-up amount for the period, including
11 interest and adjustments, is an under-recovery of
12 \$3,452,566.

13

14 Q. Is this amount net of the estimated true-up for the
15 period January 2015 through December 2015, which was
16 included in the January 2016 through December 2016 PGA
17 factor calculation?

18

19 A. No. The final true-up net of the estimated true-up for
20 the period January 2015 through December 2015 is an
21 under-recovery of \$5,631,989.

22

23 Q. Is this the final under-recovery amount to be included
24 in the January 2017 through December 2017 projection?

25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED THIRD REVISED 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 third revised testimony in
7 this docket?

8
9 **A.** The purpose of my third revised testimony is to describe
10 generally the components of Peoples' cost of purchased
11 gas and upstream pipeline capacity. In my testimony, I
12 also explain how Peoples' projected weighted average
13 cost of gas ("WACOG") for the January 2017 through
14 December 2017 period was determined and the resulting
15 requested maximum PGA ("Cap").

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

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

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

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

1 3. Projections and assumptions used to estimate the
2 purchase price to be paid by Peoples for such gas
3 supplies.

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

7
8 **Q.** What is the appropriate final purchased gas adjustment
9 true-up amount for the period January 2015 through
10 December 2015?

11
12 **A.** The final PGA true-up amount for the year 2015 is an
13 under-recovery of \$5,631,990.

14
15 **Q.** What is the estimated purchased gas adjustment true-up
16 amount for the period January 2016 through December
17 2016?

18
19 **A.** As shown on Schedule E-4, the estimated PGA true-up
20 amount for 2016 is an over-recovery of \$6,718,674.

21
22 **Q.** What is the total purchased gas adjustment true-up
23 amount to be refunded during the period January 2017
24 through December 2017?

25

1 **A.** The total PGA true-up amount to be refunded in 2017 is
2 an over-recovery of \$1,086,685.

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

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

9
10 **Q.** Please describe how Peoples will obtain its gas supplies
11 during the projected period of January 2017 through
12 December 2017.

13
14 **A.** All natural gas delivered through Peoples' distribution
15 system is received through three interstate pipelines
16 and one intrastate pipeline. Gas is delivered through
17 Florida Gas Transmission Company ("FGT"), through
18 Southern Natural Gas Company ("Southern"), through
19 Gulfstream Natural Gas System ("Gulfstream") and through
20 SeaCoast Gas Transmission ("SeaCoast"). Receiving gas
21 supply through multiple upstream pipelines provides
22 valuable flexibility and 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 2017 through December 2017?

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 2017, 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 2017 through December 2017.
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 Third
2 Revised Composite Exhibit KMF-2, please explain the
3 components of these schedules and the assumptions that
4 were made in 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 2017 through December
9 2017. 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. "SEACOAST"
20 indicates the volumes are to be purchased from a third
21 party supplier for delivery via SeaCoast intrastate
22 pipeline transportation. "THIRD PARTY" indicates that
23 the volumes are to be purchased directly from various
24 third party suppliers for delivery into FGT, Southern,
25 or Gulfstream.

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

1 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
2 (or "NNTS") means FGT's no notice service provided to
3 Peoples on a fixed charge basis for use when Peoples'
4 actual use exceeds scheduled quantities. "SWING
5 SERVICE" means the demand and commodity component of the
6 cost of third party supplies purchased to meet Peoples
7 "swing" requirements for supply that fluctuate on a day-
8 to-day basis. "STORAGE DEMAND" means the demand
9 component related to third party storage costs.
10 "COMMODITY" means third party purchases of gas
11 transported on FGT, Southern, Gulfstream or SeaCoast.
12 Column (E) shows the monthly quantity in therms of gas
13 purchased by Peoples for each category of system supply.
14 Column (F) shows the gas purchased by end-users for
15 transportation. Column (G) is the total of Columns (E)
16 and (F) in each row. Columns (H), (I), (J) and (K) show
17 the corresponding third party supplier commodity costs,
18 pipeline transportation commodity costs, pipeline
19 transportation reservation costs, and other charges
20 (e.g., balancing charges), respectively. These costs
21 are determined using the actual amounts paid by Peoples.
22 In the case of end-user transportation, these costs are
23 reimbursed to Peoples or paid directly to FGT. All ACA
24 and fuel charges are included in the commodity costs in
25 Column (I) and, therefore, are not shown in Column (K).

1 Column (L) in each row is the sum of Columns (H), (I),
2 (J) and (K) divided by Column (G).
3

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

8 **A.** Schedule E-1 shows the Cost of Gas Purchased, Therms
9 Purchased, and Cents per therm for all rate classes.
10

11 The costs associated with various categories or items
12 are shown on lines 1 through 14. Line 6 on Schedule E-1
13 includes legal expenses associated with various
14 interstate pipeline dockets such as tariff filings,
15 seasonal fuel filings and certification proceedings. In
16 addition, legal and consulting expenses have been
17 included because Southern is due to file a rate case in
18 early 2018 pursuant to a settlement reached with their
19 shippers during Southern's prior pre-rate case filing.
20 The procedural schedule for this docket will most likely
21 be issued in April or May, 2017 and it is anticipated
22 that FERC will suspend implementation of Southern's
23 requested rates for the full term of the suspension
24 period (approximately 5 months). It is anticipated
25 that PGS will incur costs during the last quarter of

1 2017 to prepare consultants and legal counsel for the
2 filing that is due to be made by Southern no later than
3 March 1, 2018. Southern's proposed rates will not impact
4 this cap filing due to the timing of the anticipated
5 suspension period. These expenses have historically
6 been included for recovery through the Purchased Gas
7 Adjustment Clause because they are fuel related
8 expenses. The volumes consumed for similar categories
9 or items are shown on lines 15 through 27, and the
10 resulting effective cost per therm rate for each similar
11 category or item is contained on lines 28 through 45.
12 Line 6 also includes expenses related to a recent Energy
13 Trading and Risk Management (ETRM) system replacement.
14 This system manages fuel transactions related to
15 procuring supply.

16
17 The data shown on Schedule E-1 is calculated from
18 Schedules E-3 (A) through (F) for the months of January
19 2017 through December 2017.

20
21 **Q.** What information is presented on Schedule E-1/R of Third
22 Revised Composite Exhibit KMF-2?

23
24 **A.** Schedule E-1/R of Third Revised Composite Exhibit KMF-2
25 shows seven months actual and five months estimated data

1 for the current period from January 2016 through
2 December 2016 for all customer classes.

3
4 **Q.** What information is presented on Schedule E-2 of Third
5 Revised Composite Exhibit KMF-2?

6
7 **A.** Schedule E-2 of Third Revised Composite Exhibit KMF-2
8 shows the amount of the prior period over/under
9 recoveries of gas costs that are included in the current
10 PGA calculation.

11
12 **Q.** What is the purpose of Schedule E-4 of Third Revised
13 Composite Exhibit KMF-2?

14
15 **A.** Schedule E-4 of Third Revised Composite Exhibit KMF-2
16 simply shows the calculation of the estimated true-up
17 amount for the January 2016 through December 2016
18 period. It is based on actual data for seven months and
19 projected data for five months.

20
21 **Q.** What information is contained on Schedule E-5 of Third
22 Revised Composite Exhibit KMF-2?

23
24 **A.** Schedule E-5 of Third Revised Composite Exhibit KMF-2 is
25 statistical data that includes the projected therm sales

1 and numbers of customers by customer class for the
2 period from January 2017 through December 2017.

3
4 **Q.** Has Peoples changed its methodology for calculating the
5 monthly PGA factor and how does this impact the PGA cap
6 factor for which the company seeks approval?

7
8 **A.** On April 5, 1998, the Commission issued Order No. PSC-
9 99-0634-FOF-GU as a Proposed Agency Action in Docket No.
10 981698-GU, and the Order subsequently became final.
11 This Order approved Peoples Gas' request for approval of
12 a methodology for charging separate Purchased Gas
13 Adjustment factors for different customer classes. On
14 February 22, 2016, by its Order No. PSC-16-0081-PAA-GU,
15 in Docket No. 150218-GU, the Commission approved
16 Peoples' methodology to discontinue charging multiple
17 PGA factors for different classes of customers and
18 revert to the methodology originally adopted by the
19 Commission in Order 24463 that calculates a single PGA
20 factor for all classes. Peoples requested approval to
21 revert to the single PGA factor for several reasons
22 including market changes resulting in increased
23 participation of commercial customers migrating to
24 transportation service as described earlier in my
25 testimony. Under the approved methodology, costs will

1 be spread equally among all customers utilizing the PGA.
2 As such, the WACOG for which Peoples seeks approval as
3 the annual cap is a factor of \$.89761 per therm as shown
4 in Schedule E-1. This annual cap will be applicable to
5 all rate classes.

6
7 **Q.** Why did Peoples file a Third amended petition together
8 with your Third Revised Testimony and Third Revised
9 Composite Exhibit KMF-2?

10
11 **A.** The Third amended petition and accompanying Third
12 revised testimony and Third Revised Composite Exhibit
13 KMF-2 result from errors identified in Schedule E-1, Row
14 6 "Other" and E-1/R "Other". The corrected schedule
15 causes a reduction in PGA Cost and results in changes to
16 Schedules E-2, E-4 and E-5 and an adjusted PGA cap
17 factor in Schedule E-1.

18
19 **Q.** Does this conclude your testimony?

20
21 **A.** Yes, it does.
22
23
24
25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 160003-GU: PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP

**Direct Testimony (Final True Up) 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, 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. Can you please provide a brief overview of your educational and
8 employment 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 employment
11 at FPUC, I have performed various roles and functions in accounting,
12 management and most recently, regulatory accounting (PGA, conservation,
13 earnings surveillance reports, regulatory reporting).

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

15 A. To advise the Commission of the actual over/under recovery of the
16 Purchased Gas Adjustment for the period January 1, 2015 through
17 December 31, 2015, as compared to the true-up amount previously reported

1 for that period which was based on six months actual and six months
2 estimated.

3 **Q. Please state the actual amount of over/under recovery of the Purchased**
4 **Gas Adjustment for January 1, 2015 through December 31, 2015.**

5 A. During January 2015 through December 2015, FPUC under-recovered
6 \$1,038,219.

7 **Q. How does this amount compare with the estimated true-up amount,**
8 **which was allowed by the Commission during the November 2015**
9 **hearing?**

10 A. As recognized in Order No. PSC-15-0543-FOF-GU, in Docket No. 150003-
11 GU, FPUC had an anticipated over-recovery of \$932,608, based upon six
12 months of actual and six months of projected data.

13 **Q. Have you prepared any exhibits at this time?**

14 A. Yes. In conjunction with my testimony, I have also prepared and am filing
15 composite Exhibit MDN-1, containing Schedule A-7, Final Fuel
16 Over/Under Recovery for the Period January 2015 through December 2015.

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

18 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 160003-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 2015 through June 2016 data and projected July through
2 December 2016 data. My testimony will describe the Company's forecast of
3 pipeline charges and commodity costs of natural gas for 2017. Finally, I will
4 summarize the computations that are contained in composite exhibit MDN-2
5 supporting the January through December 2017 projected PGA recovery (cap)
6 factor for the FPUC consolidated gas division

7 Q. Which schedules have you included in your Exhibit MDN-2??

8 A. The Company has previously filed True-Up schedules A-1, A-2, A-3, A-4, A-
9 5, A-6 and A-7 in this proceeding. Exhibit MDN-2, which is included with
10 my testimony, contains Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the
11 FPUC consolidated gas division. These schedules support the calculation of the
12 PGA recovery (cap) factor for January through December 2017.

13 Q. Have there been any changes in the PGA filing compared to the prior year?

14 A. Yes. As shown on Schedule E-1R, the Company revised projected purchased
15 gas costs for the period July 2016 – December 2016, reducing the amount to
16 more accurately reflect the expectation of these costs for the remainder of the
17 year.

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

20 A. The purchases for the gas cost projection model are based on projected sales to
21 traditional non-transportation service customers. Florida Gas Transmission
22 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges
23 (including surcharges) and fuel rates, based on the prices from the FGT rate

1 case settlement, were used for the entire projection period. As is further
2 explained herein, the Company has also included costs related to further
3 expansion in Palm Beach County. The expected costs of natural gas purchased
4 by the Company during the projection period were developed using actual
5 prices paid during relevant historical periods and the Henry Hub natural gas
6 futures pricing through the end of the projection period. The forecasts of the
7 commodity costs were then adjusted to reflect the unexpected potential market
8 increases in the projection period.

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

11 A. The Company has forecasted the 2017-weighted average cost of gas using the
12 projected monthly pipeline demand costs, less the projected cost of capacity
13 temporarily relinquished to third parties, the projected pipeline usage and no-
14 notice costs and the projected supplier commodity costs. The sum of these
15 costs are then divided by the projected therm sales to the traditional non-
16 transportation customers resulting in the projected weighted average cost of
17 gas and ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.
18 Capacity shortfall, if any, would be satisfied by gas and capacity repackaged
19 and delivered by another FGT capacity holder. If other services become
20 available and it is economic to dispatch supplies under those services, the
21 Company will utilize those services as part of its portfolio.

22 Q. Please describe any additional planned expansion opportunities.

1 A. The Company continues to pursue the opportunity to expand and reinforce its
2 distribution system in Palm Beach County. This expansion (Palm Beach
3 Connector) was initially scheduled to begin this year but has been delayed until
4 2017. The Palm Beach connector will enable FPUC to move additional
5 capacity to western Palm Beach County to support an expanding area. This
6 potential project includes a planned large residential and commercial
7 community by Minto in the far western portion of Palm Beach County. In
8 addition to providing for the potential growth at Minto, the Palm Beach
9 connector will allow FPUC to move additional capacity to the eastern part of
10 Palm Beach County, which is becoming increasingly more constrained. This
11 potential for additional capacity from the Palm Beach connector will help
12 FPUC to reinforce the southeastern section of its distribution system, as well as
13 continue expanding in the area.

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

16 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
17 upstream transmission pipeline capacity, transportation and related supply
18 costs associated with service expansions to new areas.

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

22 A. Yes. There is a local distribution company (LDC) to LDC interconnect with
23 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando

1 County. In addition, there is an interconnection to CFG's facilities for
2 Gulfstream's Baseball City Gate southward through Davenport and Haines
3 City.

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

6 A. Consistent with the prior year, the modified cost allocation methodology and
7 revised purchased gas adjustment calculation approved by the Commission by
8 Order No. PSC-15-0321-PAA-GU, issued August 10, 2015, has been applied
9 to allocate these costs.

10 Q. Will there be a Phase II (Swing Service Rider) and if so, what will the Rider
11 entail?

12 A. Yes. On April 11, 2016, Docket No. 160085, Florida Public Utilities, Florida
13 Division of Chesapeake Utilities (CFG), Florida Public Utilities Indiantown
14 and Ft. Meade Divisions (the Companies) filed a joint petition for approval of
15 the Swing Service Rider with this Commission. The Swing Service Rider
16 proposes that the allocation of all costs be expanded to include transportation
17 service customers on FPUC's system (i.e., customers who are not part of the
18 current PGA mechanism) as well as shippers on CFG's system that are not part
19 of the TTS pools. The Companies believe that these customers ultimately
20 should bear their fair portion of the intrastate capacity costs. However, the
21 Companies recognize that shippers for these larger classes of customers
22 provide a service under contracts that will likely need to be amended to adjust

1 for the revised cost allocations and systems need to be implemented to allow
2 for billing of these charges to transportation customers and/or shippers.

3 Q. What is the estimated effect of Swing Service Rider on PGA factor?

4 A. The Company anticipates future savings related to Swing Service Rider since
5 the costs will be allocated over a broader base of customers. However, the
6 anticipated savings are not reflected in this filing.

7 Q. Have the appropriate related costs been included in the Projections for 2017?

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

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

14 A. Yes, included with our purchased gas costs are consulting (Pierpont and
15 McLelland, LLC) and legal expenses (Gunster, Yoakley & Stewart, P.A.) for
16 assistance in the development and enactment of the consolidation and
17 allocation of interstate and intrastate pipeline capacity (Swing Service Rider), a
18 mechanism designed to reduce the allocated cost of the total delivered price of
19 natural gas to customers subject to the PGA. Additionally, the Company has
20 included costs associated with a software tool (Cardinal Technology) used by
21 the Company to manage customer usage and assist in determining the gas
22 supply needs for the rate classes subject to the PGA. These costs directly

1 influence the Company's PGA factor and are appropriate for recovery through
2 the PGA clause.

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

5 A. The costs the Company has included are PGA-related costs and were not
6 anticipated or included in the cost levels used to establish the current base
7 rates. To be clear, these costs are not tied to the Company's internal staff
8 involvement in purchased gas procurement and administration. Instead, these
9 costs are associated with external contracts, which were unanticipated, but are
10 integrally related to the gas purchase function. These costs either relate to fuel
11 savings, or to the Company's efforts to protect current fuel savings, and
12 directly benefit our customers. These are costs that have historically been
13 allowed for recovery through the PGA and are not being recovered through the
14 Companies' base rates.

15 Q. What is the appropriate final PGA true-up amount for the period
16 January through December 2015?

17 A. As shown on Schedule E-4, the final PGA true-up amount for the period
18 January through December 2015 is an under-recovery of \$1,970,827, inclusive
19 of interest.

20 Q. What is the projected PGA true-up amount for the period January through
21 December 2016?

22 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
23 recovery of \$1,642,359, inclusive of interest, for the period January through

1 December 2016.

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

3 A. The projection period is January through December 2017.

4 Q. What is the total projected PGA true-up amount to be collected from or
5 refunded to customers for the period January through December 2017?

6 A. As shown on Schedule E-4, the total net under-recovery to be collected for the
7 period January through December 2017 is \$328,468.

8 Q. What is the appropriate PGA recovery (cap) factor for the period January
9 through December 2017?

10 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 98.148¢ per
11 term for the period January through December 2017.

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

14 A. The PGA recovery (cap) factor should be effective for all meter readings
15 during the period of January 1, 2017 through December 31, 2017.

16 Q. Does this conclude your testimony?

17 A. Yes.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Recovery)
)
_____)

Docket No. 160003-GU
Submitted for filing
April 27, 2016

DIRECT TESTIMONY OF CHARLES A. SHOAF ON
BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.
=====

Q. Please state your name, business address, by whom
you are employed and in what capacity.

A. Charles A. Shoaf, 301 Long Avenue, Port St. Joe,
Florida 32456, St. Joe Natural Gas Company in the
capacity of V-President and Regulatory Affairs.

Q. What is the purpose of your testimony?

A. My purpose is to discuss the final true-up for
the period January 2015 through December 2015.

Exhibits

Q. Would you please identify the Composite Exhibit which
you are sponsoring with this Testimony?

A. Yes. As Composite Exhibit CAS-1, I am sponsoring the
following schedule with respect to the final
true-up for period January 2015 through December 2015.
Schedule A-7 - Final Fuel Over/Under Recovery

Q. Was this schedule prepared under your direction
and supervision?

A. Yes, it was.

1 Final True-Up January 2015 - December 2015

- 2 Q. What were the total therm sales for the period January
3 2015 through December 2015?
- 4 A. Total therm sales were 946,013 therms.
- 5 Q. What were total therm purchases for the period January
6 2015 through December 2015?
- 7 A. Total therm purchases were 981,510.
- 8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2015 through December 2015?
- 10 A. The cost of gas purchased for January 2015 through
11 December 2015 was \$510,792.56.
- 12 Q. What was the amount of gas revenue collected for the
13 period January 2015 through December 2015?
- 14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$507,153.
- 16 Q. What is the total true-up provision for the period
17 January 2015 through December 2015?
- 18 A. The total true-up provision, including interest, is an
19 under-recovery of \$3,679.08 for the period.
- 20 Q. What is the amount of estimated true-up included for
21 January 2015 thru December 2015 in the January 2016
22 through December 2016 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
24 thru December 2015 included in the January 2016 through
25 December 2016 PGA factor calculation was an under-

1 recovery of \$1,734.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2015 period to be included in the
4 January 2017 through December 2017 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2017 through December 2017
7 projection is \$1,945.08.

8 Q. Does this conclude your testimony?

9 A. Yes

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2017 through December 31, 2017?

3 A. 76.20 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **CHAIRMAN BROWN:** Exhibits.

2 **MS. LEATHERS:** We've compiled a stipulated
3 Comprehensive Exhibit List, which includes the prefiled
4 exhibits attached to the witnesses' testimony in this
5 case. The list has been provided to the parties, the
6 Commissioners, and the court reporter. This list is
7 marked as at first hearing exhibit, and the other
8 exhibits should be marked as set forth in this list.

9 **CHAIRMAN BROWN:** Thank you.

10 Okay. Let's go to moving the exhibits.

11 **MS. LEATHERS:** Yes, Chairman. We'd request at
12 this time that the Comprehensive Exhibit List marked as
13 Exhibit No. 1 be entered into the record.

14 **CHAIRMAN BROWN:** Okay. Seeing no objections,
15 we'll go ahead and move into the record Exhibit 1.

16 (Exhibit 1 marked for identification and
17 admitted into the record.)

18 And how about Exhibits 2 through 14?

19 **MS. LEATHERS:** Yes, Chairman. At this time
20 we'd move Exhibits 2 through 14, move them into the
21 record as set forth in the Comprehensive Exhibit List.

22 **CHAIRMAN BROWN:** Thank you. Seeing no
23 objections, we will go ahead and move in Exhibits 2
24 through 14 into the record as set forth in the
25 Comprehensive Exhibit List.

1 (Exhibits 2 through 14 marked for
2 identification and admitted into the record.)

3 All right. Staff, we are on the analysis of
4 the stipulation.

5 **MS. LEATHERS:** The decision, yes.

6 **CHAIRMAN BROWN:** The decision.

7 Okay. Commissioners, we have proposed
8 stipulations which are set forth on pages 5 through 6 of
9 the Prehearing Order. They're Issues 1 through 6. Is
10 there any discussion, or can I get a motion?

11 Commissioner Brisé.

12 **COMMISSIONER BRISÉ:** Sure, Madam Chair. Upon
13 review of the stipulations containing all the issues
14 related to this docket, I move that we accept the
15 stipulation as stated.

16 **CHAIRMAN BROWN:** Thank you.

17 **COMMISSIONER EDGAR:** Second.

18 **CHAIRMAN BROWN:** Thank you, Commissioner
19 Edgar.

20 Commissioners, further discussion? Seeing
21 none, all those in favor of the motion, say aye.

22 (Vote taken.)

23 Okay. It passes unanimously. Thank you very
24 much.

25 Are there any other matters to address in the

1 03 docket?

2 **MS. LEATHERS:** Chairman, there are no other
3 matters, but since the Commission has made a bench
4 decision, post-hearing filings are not necessary and the
5 final order will be issued by November 22nd, 2016.

6 **CHAIRMAN BROWN:** Thank you, Ms. Leathers.
7 Again, thank you for your time on this docket.

8 **MS. LEATHERS:** Thank you.

9 **CHAIRMAN BROWN:** And to all the parties.
10 We'll adjourn the 03 docket. And please let me know if
11 I'm moving too swiftly. Again, I appreciate all of the
12 parties and the staff and the time that's gone into all
13 of these clause dockets today. We've got a very nice
14 presentation here today.

15 (Hearing adjourned at 9:47 a.m.)
16
17
18
19
20
21
22
23
24
25

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,
15 nor 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 14th day of November, 2016.

19
20
21
22
23
24
25
Linda Boles

LINDA BOLES, CRR, RPR
Official FPSC Hearings Reporter
Office of Commission Clerk
(850) 413-6734