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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

FILED 11/2/2017
DOCUMENT NO. 09394-2017
FPSC - COMMISSION CLERK

DOCKET NO. 20170003-GU

PURCHASED GAS ADJUSTMENT (PGA)
TRUE-UP.

_____ /

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK

DATE: Wednesday, October 25, 2017

TIME: Commenced at 12:50 p.m.
Concluded at 2:00 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 APPEARANCES:

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

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

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

16 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE
17 HELTON, DEPUTY GENERAL COUNSEL, as Advisors to the
18 Florida Public Service Commission, 2540 Shumard Oak
19 Boulevard, Tallahassee, Florida 32399-0850.

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I N D E X

WITNESSES

NAME:	PAGE
Thomas Kaufmann prefiled testimony inserted	11
Michelle Napier prefiled testimony inserted	21
Kandi M. Floyd prefiled testimony inserted	39
Andy Shoaf prefiled testimony inserted	57

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EXHIBITS

NUMBER :

ID ADMTD

1 Comprehensive Exhibit List
2-14 As identified in the
comprehensive list

64 64
64 65

1 P R O C E E D I N G S

2 CHAIRMAN BROWN: And we are going to take
3 appearances. There are five dockets and,
4 staff, it's -- your suggestion that we take up
5 the appearances all at once, correct?

6 MS. DUVAL: Yes, ma'am.

7 CHAIRMAN BROWN: Okay. So all parties,
8 please, when I go through the list, can you
9 please enter your appearances and declare which
10 dockets you are entering an appearance for?
11 Starting with Florida Power & Light.

12 MR. BUTLER: Thank you, Madam Chairman.

13 John Butler and Wade Litchfield appearing
14 in dockets 01, 02 and 07. Also appearing -- on
15 behalf of Florida Power & Light Company.

16 Also appearing for Florida Power & Light
17 Company in the 01 docket are Maria Moncada and
18 Will Cox. In the 02 docket, Ken Rubin, and in
19 the 07 docket, Jessica Cano.

20 CHAIRMAN BROWN: Okay.

21 MR. BUTLER: Thank you.

22 CHAIRMAN BROWN: Thank you.

23 Duke, Matt Bernier.

24 MR. BERNIER: Thank you, Madam Chairman.

25 Good afternoon, Commissioners. Matt

1 Bernier for Duke Energy. I am entering an
2 appearance in the 01, 02 and 07 dockets. And I
3 would also like to enter an appearance for
4 Dianne Triplett.

5 Thank you.

6 CHAIRMAN BROWN: Thank you.

7 Mr. Beasley.

8 MR. BEASLEY: Thank you, Madam Chair,
9 Commissioners.

10 James Beasley, appearing with Jeff Whalen
11 for Tampa Electric Company in 01, 02 and 07
12 dockets.

13 CHAIRMAN BROWN: Thank you.

14 Gulf.

15 MR. BADDERS: Good afternoon. Russell
16 Badders on behalf of Gulf Power, in the 01, 02
17 and 07 dockets. I would also like to enter an
18 appearance for my partner, Steven Griffin, and
19 for Gulf's General Counsel, Jeffery A. Stone.

20 CHAIRMAN BROWN: Thank you.

21 FIPUG.

22 MR. MOYLE: Thank you, Madam Chairman.

23 Jon Moyle on behalf of the Florida
24 Industrial Power Users Group. I would also
25 like to enter an appearance for Karen Putnal,

1 and those would be in the 01, 02 and 07
2 dockets.

3 CHAIRMAN BROWN: Thank you.

4 Ms. Keating.

5 MS. KEATING: Thank you, Madam Chairman,
6 Commissioners.

7 Beth Keating with the Gunster Law Firm
8 here this afternoon for FPUC in the 01, 02, 03
9 and 04 dockets, for Indiantown and Chesapeake
10 in the 04 docket, and for Florida City Gas in
11 the 03 and 04 dockets.

12 CHAIRMAN BROWN: Okay. Thank you.

13 Mr. Cavros.

14 MR. CAVROS: Good afternoon, Madam Chair,
15 Commissioners.

16 George Cavros on behalf of Southern
17 Alliance for Clean Energy, entering an
18 appearance in the 07 docket.

19 CHAIRMAN BROWN: Thank you.

20 Mr. Wright.

21 MR. WRIGHT: Robert Scheffel Wright and
22 John T. Lavia, III, Gardner Law Firm, appearing
23 on behalf of the Florida Retail Federation in
24 the 01 docket, the fuel docket.

25 Thank you.

1 CHAIRMAN BROWN: Thank you.

2 Public Counsel.

3 MR. SAYLER: Erik Sayler on behalf of the
4 Public Counsel. I would like to do a notice of
5 appearance for Mr. Kelly, Ms. Christensen and
6 myself in all the dockets but the 07 docket,
7 and Mr. Rehwinkel.

8 MR. REHWINKEL: Yes, Charles Rehwinkel for
9 the 07 docket only today, as well as Stephanie
10 Morse.

11 Thank you.

12 CHAIRMAN BROWN: Thank you.

13 Staff.

14 MS. DUVAL: Margo DuVal for the 02 and 07
15 dockets. And I would like to enter appearances
16 for Wesley Taylor in the 03 docket; Stephanie
17 Cuello in the 04 and 07 dockets; Suzanne
18 Brownless and Danijela Janjic in the 01 docket;
19 and Charles Murphy in the 07 docket.

20 MS. HELTON: Mary Anne Helton as your
21 adviser. I would also like to enter an
22 appearance for your General Counsel, Keith
23 Hetrick.

24 CHAIRMAN BROWN: Thank you.

25 All right. We are going to do this pretty

1 swiftly transition-wise. We are going to go
2 ahead and open the 03 docket now.

3 Staff.

4 MR. TAYLOR: Parties present for the 03
5 docket are Florida Public Utilities Company,
6 Florida City Gas and OPC.

7 Staff would note that St. Joe's Natural
8 Gas and People's Gas System have been excused
9 from the hearing.

10 Staff would also note there proposed
11 issues -- or proposed stipulations on all
12 issues with OPC taking no position. All
13 witnesses have been excused, and that all
14 parties have waived opening statements.

15 CHAIRMAN BROWN: Thank you.

16 Any other preliminary matters that need to
17 be addressed by any of the parties?

18 All right, let's to go the record.

19 Prefiled testimony for the excused
20 witnesses.

21 MR. TAYLOR: Staff asks that prefiled
22 testimony of all witnesses identified in
23 section six of the prehearing order, which is
24 page four, be inserted into the record as
25 though read.

1 CHAIRMAN BROWN: Seeing no objection, we
2 will go ahead and enter into the record all
3 prefiled testimony of all witnesses identified
4 on page four of the prehearing order.

5 (Whereupon, prefiled testimony was
6 inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS KAUFMANN

ON BEHALF OF FLORIDA CITY GAS

(Final True-Up)

DOCKET NO. 170003-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

Docket No. 170003-GU
Florida City Gas – Kaufmann

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 2016 through December, 2016 for City Gas.

23

Docket No. 170003-GU
Florida City Gas – Kaufmann

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, 2016?

19 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
20 twelve months ended December 31, 2016 is \$20,924,966.

21

Docket No. 170003-GU
Florida City Gas – Kaufmann

1 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
2 **RECOVERED BY THE COMPANY DURING THE TWELVE**
3 **MONTHS ENDED DECEMBER 31, 2016?**

4 A. The Company recovered \$19,075,616 from customer billings
5 plus an additional \$1,169,482 from margin sharing credits.

6

7 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
8 **TWELVE MONTHS ENDED DECEMBER 31, 2016?**

9 A. The actual true-up amount, including adjustments, margin
10 sharing and interest, is an under-recovery of \$675,212.

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 \$20,924,966 and the total fuel revenues are
16 \$19,075,616. The difference between the fuel cost and fuel
17 recoveries is an under-recovery of \$1,849,350. This under-
18 recovery was offset by an adjustment of \$1,169,482 for margin
19 sharing, and an interest provision, during the period, of \$4,656.
20 The sum of these is an under-recovery of \$675,212.

21

Docket No. 170003-GU
Florida City Gas – Kaufmann

1 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
2 **JANUARY 2016 THROUGH DECEMBER 2016 PERIOD TO BE**
3 **INCLUDED IN THE 2017 PROJECTION?**

4 A. The final true-up amount for the period of January 2016 through
5 December 2016 to be included in the 2017 projection is an over-
6 recovery of \$1,617,503. This is the difference between the
7 estimated under-recovery of \$2,292,715 that is included in the
8 current cost recovery factor being collected during 2017 and the
9 actual under-recovery of \$675,212.

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. 20170003-GU
August 17, 2017

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
19 Propane as a Strategic Planning Analyst, promoted to Manager of

Docket No. 20170003-GU
August 17, 2017

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

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

8 A. The purpose of my testimony is to present the revised estimate of the
9 Company's projection of gas costs for the period August 2017 through
10 December 2017 and the Company's projection of gas costs for the
11 period January 2018 through December 2018. In addition I will present
12 the development of the maximum rate to be charged to customers for
13 the period January 2018 through December 2018.

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

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

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

19 A. Yes. Under this methodology, which was adopted by Order No. PSC-
20 1993-0708-FOF-GU of this Commission on May 10, 1993 and modified
21 in Docket No. 19980269-PU on June 10, 1998, gas companies are to
22 project their gas costs each twelve months for the ensuing twelve
23 month period ending in December. A per therm rate is developed for

1 the weighted average cost of gas (WACOG). This rate, based on the
2 average of the winter and summer seasons, would lead to over or
3 under-recoveries of gas costs in the two seasons. This problem is
4 mitigated by establishing a maximum levelized purchased gas factor
5 based on the Company's expected winter cost of gas, thereby
6 eliminating a large under-recovery in that season. The Company is
7 then able to flex downward in the summer in order to match market
8 conditions and eliminate the potential for a large over-recovery for the
9 remainder of the period.

10 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE AS**
11 **PROJECTED?**

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

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

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

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

Docket No. 20170003-GU
August 17, 2017

1 A. No, the FGT rates used in the preparation of this filing are those in
2 effect on August 1, 2017.

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

5 A. Yes. Schedule E-1 shows the projected period, January 2018 through
6 December 2018. For 2018, the Company estimates the gas purchases
7 for resale will be 40,768,648 therms (Line 15) at a total cost of
8 \$26,017,490 (Line 11) with a resulting WACOG of 63.817 cents per
9 therm (Line 40) before the application of the true-up factor and the
10 regulatory assessment fee. Schedule E-4 shows the difference
11 between the estimated actual and actual true-up for the prior period,
12 January 2016 through December 2016, is an over-recovery of
13 \$1,617,503 (Column 3, Line 4). The projected true-up for the current
14 period, January 2017 through December 2017, is an under-recovery of
15 \$1,778,891 (Column 4, line 4). The total true-up as shown on Schedule
16 E-4 is an under-recovery of \$161,388 for a true-up charge factor of
17 0.396 cents per therm that would be applied during the projected period
18 (Schedule E-1, Line 41). This true-up factor increases the gas cost
19 factor during the projected period to 64.213 cents per therm (Line 42)
20 before the regulatory assessment fee. With the regulatory assessment
21 fee added, the PGA factor is 64.536 cents per therm (Line 44) based on
22 the average of the winter and summer seasons.

Docket No. 20170003-GU
August 17, 2017

1 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
2 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
3 **THE PGA CAP IN 2018?**

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

7

<u>Winter Average, per Therm</u>	
Total Cost (Line 11)	\$16,406,005
Total Therm Sales (Line 27)	22,757,935
(Line 11/ Line 27)	\$0.72089
True-up	\$0.00396
Before Regulatory Assessment	\$0.72485
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$0.72850

8
9 As shown above, the maximum levelized purchased gas factor based
10 on the Company's expected winter cost of gas is 72.485 cents per
11 therm before the regulatory assessment fee and 72.850 cents per
12 therm after the regulatory assessment fee. If approved by the
13 Commission, 72.850 cents per therm would be the maximum gas cost
14 factor that City Gas may charge its customers for the period January
15 2018 through December 2018.

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

17 A. Yes, it does.

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 170003-GU
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP**

**Direct Testimony of
Michelle D. Napier
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 Manager,
6 Regulatory Affairs.

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, 2016 through
10 December 31, 2016, 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, 2016 through December 31, 2016.

15 A. During January 2016 through December 2016, FPUC over-recovered
16 \$1,645,762.

1 Q. How does this amount compare with the estimated true-up amount, which
2 was allowed by the Commission during the November 2016 hearing?

3 A. As recognized in Order No. PSC-16-0532-FOF-GU, in Docket No.
4 160003-GU, FPUC had an anticipated over-recovery of \$1,642,359, based
5 upon six months of actual and six months of projected data.

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

7 A. We prepared and pre-filed composite Exhibit MDN-1, containing
8 Schedule A-7, Final PGA Over/Under Recovery for the Period January
9 2016 through December 2016.

10 Q. Does this conclude your testimony?

11 A. Yes.

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1 actual January 2016 through June 2017 data and projected July through
2 December 2018 data. My testimony will describe the Company's forecast of
3 pipeline charges and commodity costs of natural gas for 2018. Finally, I will
4 summarize the computations that are contained in composite exhibit MDN-2
5 supporting the January through December 2018 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 2018.

13 **Q. Please describe how the forecasts of pipeline charges and commodity costs
14 of gas were developed for the projection period.**

15 A. The purchases for the gas cost projection model are based on projected sales to
16 traditional non-transportation service customers. Florida Gas Transmission
17 Company's (FGT) FTS-1, FTS-2, FTS-3, NNTS-1 and ITS-1 effective charges
18 (including surcharges) and fuel rates, based on the prices from the FGT posted
19 rates, and were used for the entire projection period. As is further explained
20 herein, the Company has also included costs related to expansion by our sister
21 utility, the Florida Division of Chesapeake Utilities Corporation (CFG), in
22 Escambia County. The expected costs of natural gas purchased by the
23 Company during the projection period were developed using actual prices paid

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1 during relevant historical periods and the Henry Hub natural gas futures
2 pricing through the end of the projection period. The forecasts of the
3 commodity costs were then adjusted to reflect the unexpected potential market
4 increases in the projection period.

5 **Q. Please describe how the forecasts of the weighted average cost of gas are**
6 **developed for the projection period.**

7 A. The Company has forecasted the 2018-weighted average cost of gas using the
8 projected monthly pipeline demand costs, less the projected cost of capacity
9 temporarily relinquished to third parties, the projected pipeline usage and no-
10 notice costs and the projected supplier commodity costs. The weighted average
11 cost of gas also includes projected costs related to our purchased gas functions
12 and processes and a credit for the swing service rider. The sum of these costs
13 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. Please describe any additional planned expansion opportunities.**

21 A. CFG is pursuing the opportunity to expand into Escambia County as well as
22 reinforce and expand its distribution in the Auburndale area. In accordance

DOCKET NO. 20170003-GU

1 with Order PSC-2015-0321-PAA-GU, issued August 10, 2015, in Docket No.
2 20150117-GU, these costs have been allocated to both entities.

3 **Q. Are the pipeline capacity and supply costs associated with expansions**
4 **appropriate for recovery in the PGA docket?**

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

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

11 A. Yes. There is a local distribution company (LDC) to LDC interconnect with
12 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando
13 County. In addition, there is an interconnection to CFG's facilities for
14 Gulfstream's Baseball City Gate southward through Davenport and Haines
15 City.

16 **Q. Please explain how these costs incurred by CFG are recoverable under the**
17 **PGA clause.**

18 A. Consistent with the prior years, the modified cost allocation methodology and
19 revised purchased gas adjustment calculation approved by the Commission by
20 Order No. PSC-2015-0321-PAA-GU, issued August 10, 2015, had been
21 applied to allocate these costs to the Transitional Transportation Service (TTS)
22 pool customers, until the approval of the Swing Service Rider in 2016, which

1 allocates these costs to certain transportation service customers who were not
2 part of modified cost allocation methodology approved in 2015.

3 **Q. Please explain the Swing Service Rider.**

4 A. On April 11, 2016, Docket No. 20160085-GU, Florida Public Utilities, Florida
5 Division of Chesapeake Utilities (CFG), Florida Public Utilities Indiantown
6 and Ft. Meade Divisions (the Companies) filed a joint petition for approval of
7 the Swing Service Rider with this Commission. The Swing Service Rider
8 proposed that the allocation of all costs be expanded to include transportation
9 service customers on FPUC's system (i.e., customers who are not part of the
10 current PGA mechanism) as well as shippers on CFG's system that are not part
11 of the TTS pools. The Companies believe that these customers ultimately
12 should bear their fair portion of the intrastate capacity costs. However, the
13 Companies recognize that shippers for the larger classes of customers provide
14 a service under contracts that will likely need to be amended to adjust for the
15 revised cost allocations and systems need to be implemented to allow for
16 billing of these charges to transportation customers and/or shippers. This
17 petition was approved September 2016, Order No. PSC-2016-0422-TRF-GU.

18 **Q. What is the effect of Swing Service Rider on PGA costs?**

19 A. As shown on Schedule E-1, the Company has reduced PGA costs of
20 \$1,793,239 attributable to the Swing Service Rider allocated to certain gas
21 transportation customers.

22 **Q. Describe how the Company computed the Swing Service Rider and its**
23 **impact on PGA costs.**

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1 A. The Company compiled the actual throughput volumes, based on the most
2 recent 12-months usage data, for each affected transportation and sales rate
3 schedule to determine the percentage split between transportation and sales
4 service customers relative to the total throughput for the affected rate
5 schedules. The split for allocating the annual total intrastate and LDC-to-LDC
6 capacity costs of \$5.0 million is 70.20 percent (\$3.5 million) to transportation
7 customers and 29.80 percent (\$1.5 million) to sales customers. Then, the
8 transportation customers' share of the \$3.5 million would be allocated to the
9 affected transportation rate schedules in proportion to each rate schedule's
10 share of the total throughput for the affected transportation rate schedules. The
11 costs allocated to each rate schedule was then divided by the rate schedule's
12 number of therms to calculate the cost recovery factor to be billed by rate
13 schedule directly to the transportation customers. Since the Company
14 recognized that implementation of the swing service rider could have a
15 significant financial impact on large volume customers, the Company
16 requested and received approval of a stepped implementation process, annually
17 applying a rate of 20 percent of the total allocation until 100 percent is reached
18 in five years. Therefore, the Company applied a rate of 40 percent this year to
19 the large volume customers.

20 **Q. Have the appropriate related costs and credits been included in the**
21 **Projections for 2018?**

22 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2,
23 the Company has included the costs of existing and planned interstate and

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1 intrastate capacity agreements, as well as the costs associated with the Swing
2 Service Rider as described above.

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

5 A. Yes, included with our purchased gas costs are consulting expenses to assist in
6 the advancement of our PGA processes. Additionally, the Company has
7 included costs associated with a software tool used by the Company to manage
8 customer usage and assist in determining the gas supply needs for the rate
9 classes subject to the PGA. These costs directly influence the Company's
10 PGA factor and are appropriate for recovery through the PGA clause.

11 **Q. Please explain how these costs were determined to be recoverable under**
12 **the PGA clause.**

13 A. The costs the Company has included are integrally related to the gas purchase
14 function and were not anticipated or included in the cost levels used to
15 establish the current base rates. These costs relate to the Company's
16 optimization of fuel supply in an effort to protect current fuel savings, and
17 directly benefit our customers. These costs have historically been allowed for
18 recovery through the PGA and are not being recovered through the
19 Companies' base rates.

20 **Q. What is the projection period for this filing?**

21 A. The projection period is January through December 2018.

22 **Q. What is the appropriate final PGA true-up amount for the period**
23 **January through December 2016?**

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1 A. As shown on Schedule E-4, the final PGA true-up amount for the period
2 January through December 2016 is an over-recovery of \$3,402, inclusive of
3 interest.

4 **Q. What is the projected PGA true-up amount for the period January
5 through December 2017?**

6 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
7 recovery of \$675,736, inclusive of interest, for the period January through
8 December 2017.

9 **Q. What is the total projected PGA true-up amount to be collected from or
10 refunded to customers for the period January through December 2018?**

11 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the
12 period January through December 2018 is \$679,138.

13 **Q. What is the appropriate PGA recovery (cap) factor for the period January
14 through December 2018?**

15 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 101.976¢ per
16 term for the period January through December 2018.

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

19 A. The PGA recovery (cap) factor should be effective for all meter readings
20 during the period of January 1, 2018 through December 31, 2018.

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

22 A. Yes.

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1 actual January 2016 through June 2017 data and projected July through
2 December 2018 data. My testimony will describe the Company's forecast of
3 pipeline charges and commodity costs of natural gas for 2018. Finally, I will
4 summarize the computations that are contained in composite exhibit Revised
5 MDN-2 supporting the January through December 2018 projected PGA
6 recovery (cap) 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. Revised Exhibit MDN-2, which is
10 included with my testimony, contains Schedules E-1, E-1/R, E-2, E-3, E-4, and
11 E-5 for the FPUC consolidated gas division. These schedules support the
12 calculation of the PGA recovery (cap) factor for January through
13 December 2018.

14 **Q. Please describe how the forecasts of pipeline charges and commodity costs**
15 **of gas were developed for the projection period.**

16 A. The purchases for the gas cost projection model are based on projected sales to
17 traditional non-transportation service customers. Florida Gas Transmission
18 Company's (FGT) FTS-1, FTS-2, FTS-3, NNTS-1 and ITS-1 effective charges
19 (including surcharges) and fuel rates, based on the prices from the FGT posted
20 rates, and were used for the entire projection period. As is further explained
21 herein, the Company has also included costs related to expansion by our sister
22 utility, the Florida Division of Chesapeake Utilities Corporation (CFG), in
23 Escambia County. The expected costs of natural gas purchased by the

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1 Company during the projection period were developed using actual prices paid
2 during relevant historical periods and the Henry Hub natural gas futures
3 pricing through the end of the projection period. The forecasts of the
4 commodity costs were then adjusted to reflect the unexpected potential market
5 increases in the projection period.

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

8 A. The Company has forecasted the 2018-weighted average cost of gas using the
9 projected monthly pipeline demand costs, less the projected cost of capacity
10 temporarily relinquished to third parties, the projected pipeline usage and no-
11 notice costs and the projected supplier commodity costs. The weighted average
12 cost of gas also includes projected costs related to our purchased gas functions
13 and processes and a credit for the swing service rider. The sum of these costs
14 are then divided by the projected therm sales to the traditional non-
15 transportation customers resulting in the projected weighted average cost of
16 gas and ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.
17 Capacity shortfall if any, would be satisfied by gas and capacity repackaged
18 and delivered by another FGT capacity holder. If other services become
19 available and it is economic to dispatch supplies under those services, the
20 Company will utilize those services as part of its portfolio.

21 **Q. Please describe any additional planned expansion opportunities.**

22 A. CFG is pursuing the opportunity to expand into Escambia County as well as
23 reinforce and expand its distribution in the Auburndale area. In accordance

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1 with Order PSC-2015-0321-PAA-GU, issued August 10, 2015, in Docket No.
2 20150117-GU, these costs have been allocated to both entities.

3 **Q. Are the pipeline capacity and supply costs associated with expansions**
4 **appropriate for recovery in the PGA docket?**

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

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

11 A. Yes. There is a local distribution company (LDC) to LDC interconnect with
12 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando
13 County. In addition, there is an interconnection to CFG's facilities for
14 Gulfstream's Baseball City Gate southward through Davenport and Haines
15 City.

16 **Q. Please explain how these costs incurred by CFG are recoverable under the**
17 **PGA clause.**

18 A. Consistent with the prior years, the modified cost allocation methodology and
19 revised purchased gas adjustment calculation approved by the Commission by
20 Order No. PSC-2015-0321-PAA-GU, issued August 10, 2015, had been
21 applied to allocate these costs to the Transitional Transportation Service (TTS)
22 pool customers, until the approval of the Swing Service Rider in 2016, which

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1 allocates these costs to certain transportation service customers who were not
2 part of modified cost allocation methodology approved in 2015.

3 **Q. Please explain the Swing Service Rider.**

4 A. On April 11, 2016, Docket No. 20160085-GU, Florida Public Utilities, Florida
5 Division of Chesapeake Utilities (CFG), Florida Public Utilities Indiantown
6 and Ft. Meade Divisions (the Companies) filed a joint petition for approval of
7 the Swing Service Rider with this Commission. The Swing Service Rider
8 proposed that the allocation of all costs be expanded to include transportation
9 service customers on FPUC's system (i.e., customers who are not part of the
10 current PGA mechanism) as well as shippers on CFG's system that are not part
11 of the TTS pools. The Companies believe that these customers ultimately
12 should bear their fair portion of the intrastate capacity costs. However, the
13 Companies recognize that shippers for the larger classes of customers provide
14 a service under contracts that will likely need to be amended to adjust for the
15 revised cost allocations and systems need to be implemented to allow for
16 billing of these charges to transportation customers and/or shippers. This
17 petition was approved September 2016, Order No. PSC-2016-0422-TRF-GU.

18 **Q. What is the effect of Swing Service Rider on PGA costs?**

19 A. As shown on Schedule E-1, the Company has reduced PGA costs of
20 \$1,864,388 attributable to the Swing Service Rider allocated to certain gas
21 transportation customers.

22 **Q. Describe how the Company computed the Swing Service Rider and its**
23 **impact on PGA costs.**

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1 A. The Company compiled the actual throughput volumes, based on the most
2 recent 12-months usage data, for each affected transportation and sales rate
3 schedule to determine the percentage split between transportation and sales
4 service customers relative to the total throughput for the affected rate
5 schedules. The split for allocating the annual total intrastate and LDC-to-LDC
6 capacity costs of \$5.0 million is 70.20 percent (\$3.5 million) to transportation
7 customers and 29.80 percent (\$1.5 million) to sales customers. Then, the
8 transportation customers' share of the \$3.5 million would be allocated to the
9 affected transportation rate schedules in proportion to each rate schedule's
10 share of the total throughput for the affected transportation rate schedules. The
11 costs allocated to each rate schedule was then divided by the rate schedule's
12 number of therms to calculate the cost recovery factor to be billed by rate
13 schedule directly to the transportation customers. Since the Company
14 recognized that implementation of the swing service rider could have a
15 significant financial impact on large volume customers, the Company
16 requested and received approval of a stepped implementation process, annually
17 applying a rate of 20 percent of the total allocation until 100 percent is reached
18 in five years. Therefore, the Company applied a rate of 40 percent this year to
19 the large volume customers.

20 **Q. Have the appropriate related costs and credits been included in the**
21 **Projections for 2018?**

22 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2,
23 the Company has included the costs of existing and planned interstate and

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1 intrastate capacity agreements, as well as the costs associated with the Swing
2 Service Rider as described above.

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

5 A. Yes, included with our purchased gas costs are consulting expenses to assist in
6 the advancement of our PGA processes. Additionally, the Company has
7 included costs associated with a software tool used by the Company to manage
8 customer usage and assist in determining the gas supply needs for the rate
9 classes subject to the PGA. These costs directly influence the Company's
10 PGA factor and are appropriate for recovery through the PGA clause.

11 **Q. Please explain how these costs were determined to be recoverable under**
12 **the PGA clause.**

13 A. The costs the Company has included are integrally related to the gas purchase
14 function and were not anticipated or included in the cost levels used to
15 establish the current base rates. These costs relate to the Company's
16 optimization of fuel supply in an effort to protect current fuel savings, and
17 directly benefit our customers. These costs have historically been allowed for
18 recovery through the PGA and are not being recovered through the
19 Companies' base rates.

20 **Q. What is the projection period for this filing?**

21 A. The projection period is January through December 2018.

22 **Q. What is the appropriate final PGA true-up amount for the period**
23 **January through December 2016?**

- 1 A. As shown on Schedule E-4, the final PGA true-up amount for the period
2 January through December 2016 is an over-recovery of \$3,402, inclusive of
3 interest.
- 4 **Q. What is the projected PGA true-up amount for the period January
5 through December 2017?**
- 6 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
7 recovery of \$675,736, inclusive of interest, for the period January through
8 December 2017.
- 9 **Q. What is the total projected PGA true-up amount to be collected from or
10 refunded to customers for the period January through December 2018?**
- 11 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the
12 period January through December 2018 is \$679,138.
- 13 **Q. What is the appropriate PGA recovery (cap) factor for the period January
14 through December 2018?**
- 15 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 101.762¢ per
16 term for the period January through December 2018.
- 17 **Q. What should be the effective date of the PGA recovery (cap) factor for
18 billing purposes?**
- 19 A. The PGA recovery (cap) factor should be effective for all meter readings
20 during the period of January 1, 2018 through December 31, 2018.
- 21 **Q. Does this conclude your testimony?**
- 22 A. Yes.

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 N.
9 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 Manager
14 of State Regulatory, having held that position since 2003.

15
16 **Q.** Please summarize your educational background and
17 professional qualifications.

18
19 **A.** I hold a B.A. in Business Administration from Saint Leo
20 University. From 1995 to 1997, I worked in a series of
21 positions within the Regulatory Affairs Department of
22 Tampa Electric Company. In 1998, I joined Peoples as a
23 Regulatory Coordinator in the Regulatory and Gas Supply
24 Department. In 2001, I became Peoples' Energy
25 Conservation/Regulatory Coordinator, and held that

1 position until assuming my current position in 2003.

2

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

5

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

10

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

13

14 **A.** Yes. I have caused to be prepared as Composite Exhibit
15 KMF-1 the following schedule with respect to the final
16 true-up for the period January 2016 through December 2016:
17 Schedule A-7 - Final Fuel Over/Under Recovery.

18

19 **Q.** What was Peoples' cost of gas to be recovered through the
20 PGA clause for the period January 2016 through December
21 2016?

22

23 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
24 purchased, adjusted for company use, was \$148,119,725.

25

1 Q. What was the amount of gas revenue collected for the
2 period January 2016 through December 2016?

3

4 A. The amount of gas revenue collected to cover the cost of
5 gas was \$155,842,940.

6

7 Q. What was the final true-up amount for the period January
8 2016 through December 2016?

9

10 A. The final true-up amount for the period, including
11 interest and adjustments, is an over-recovery of
12 \$7,808,658.

13

14 Q. Is this amount net of the estimated true-up for the period
15 January 2016 through December 2016, which was included in
16 the January 2017 through December 2017 PGA factor
17 calculation?

18

19 A. No. The final true-up net of the estimated true-up for
20 the period January 2016 through December 2016 is an over-
21 recovery of \$1,089,984.

22

23 Q. Is this the final over-recovery amount to be included in
24 the January 2018 through December 2018 projection?

25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

6

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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 2018 through December 2018
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 2016 through
9 December 2016?

10
11 **A.** The final PGA true-up amount for the year 2016 is an
12 over-recovery of \$1,089,984.

13
14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2017 through December
16 2017?

17
18 **A.** As shown on Schedule E-4, the estimated PGA true-up
19 amount for 2017 is an under-recovery of \$4,594,365.

20
21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be collected during the period January 2018
23 through December 2018?

24
25 **A.** The total PGA true-up amount to be collected in 2018 is

1 an under-recovery of \$3,504,381.

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 2018 through
11 December 2018.

12

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

22

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

25

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 2018 through December 2018?

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 2018, 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 Natural Choice 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 2018 through December 2018.
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, column (G) is a compilation of the annual
7 data that appears on Schedules E-3 (E) through (F) for
8 the year ending December 31, 2018. In Column (B),
9 "FGT" indicates that the volumes are to be purchased
10 from third party suppliers for delivery via FGT
11 interstate pipeline transportation. "SONAT" indicates
12 that the volumes are to be purchased from a third party
13 supplier for delivery via Southern interstate pipeline
14 transportation. "GULFSTREAM" indicates that the volumes
15 are to be purchased from a third party supplier for
16 delivery via Gulfstream interstate pipeline
17 transportation. "SEACOAST" indicates the volumes are to
18 be purchased from a third party supplier for delivery
19 via SeaCoast intrastate pipeline transportation. "THIRD
20 PARTY" indicates that the volumes are to be purchased
21 directly from various third party suppliers for delivery
22 into 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, and SeaCoast consists of one
18 component, a demand charge. Individual Transportation
19 Service customers reimburse Peoples or directly pay the
20 upstream pipeline for all pipeline reservation charges
21 associated with the transportation capacity that Peoples
22 reserves and uses on their behalf.

23
24 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
25 (or "NNTS") means FGT's no notice service provided to

1 Peoples on a fixed charge basis for use when Peoples'
2 actual use exceeds scheduled quantities. "SWING
3 SERVICE" means the demand and commodity component of the
4 cost of third party supplies purchased to meet Peoples
5 "swing" requirements for supply that fluctuate on a day-
6 to-day basis. "STORAGE DEMAND" means the demand
7 component related to third party storage costs.
8 "COMMODITY" means third party purchases of gas
9 transported on FGT, Southern, Gulfstream or SeaCoast.
10 Column (E) shows the annual quantity in therms of gas
11 purchased by Peoples for each category of system supply.
12 Column (F) shows the gas purchased by end-users for
13 transportation. Column (G) is the total of Columns (E)
14 and (F) in each row. Columns (H), (I), (J) and (K) show
15 the corresponding third party supplier commodity costs,
16 pipeline transportation commodity costs, pipeline
17 transportation reservation costs, and other charges
18 (e.g., balancing charges), respectively. These costs
19 are determined using the actual amounts paid by Peoples.
20 In the case of end-user transportation, these costs are
21 reimbursed to Peoples or paid directly to FGT. All ACA
22 and fuel charges are included in the commodity costs in
23 Column (I) and, therefore, are not shown in Column (K).
24 Column (L) in each row is the sum of Columns (H), (I),
25 (J) and (K) divided by Column (G).

1 **Q.** Please explain the components of these schedules and the
2 assumptions that were made in developing the Company's
3 projections.

4
5 **A.** Schedule E-1 shows the Cost of Gas Purchased, Therms
6 Purchased, and Cents per therm for all rate classes.

7
8 The costs associated with various categories or items
9 are shown on lines 1 through 14. Line 6 on Schedule E-1
10 includes legal expenses associated with various
11 interstate pipeline dockets such as tariff filings,
12 seasonal fuel filings and certification proceedings. In
13 addition, legal and consulting expenses have been
14 included because Southern is due to file a rate case in
15 early 2018 pursuant to a settlement reached with their
16 shippers during Southern's prior pre-rate case filing.
17 The procedural schedule for this docket will most likely
18 be issued in September, 2017 and it is anticipated that
19 FERC will suspend implementation of Southern's requested
20 rates for the full term of the suspension period
21 (approximately 5 months). It is anticipated that PGS
22 will incur costs during the last quarter of 2017 to
23 prepare consultants and legal counsel for the filing
24 that is due to be made by Southern no later than March
25 1, 2018. These expenses have historically been

1 included for recovery through the Purchased Gas
2 Adjustment Clause because they are fuel related
3 expenses. The volumes consumed for similar categories
4 or items are shown on lines 15 through 27, and the
5 resulting effective cost per therm rate for each similar
6 category or item is contained on lines 28 through 45.
7 The data shown on Schedule E-1 is calculated from
8 Schedules E-3 (A) through (F) for the year ending
9 December 31, 2018.

10
11 **Q.** What information is presented on Schedule E-1/R of
12 Composite Exhibit KMF-2?

13
14 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
15 months actual and five months estimated data for the
16 current period from January 2017 through December 2017
17 for all customer classes.

18
19 **Q.** What information is presented on Schedule E-2 of 7
20 Composite Exhibit KMF-2?

21
22 **A.** Schedule E-2 of 7 Composite Exhibit KMF-2 shows the
23 amount of the prior period over/under recoveries of gas
24 costs that are included in the current PGA calculation.
25

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

3

4 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the
5 calculation of the estimated true-up amount for the
6 January 2017 through December 2017 period. It is based
7 on actual data for seven months and projected data for
8 five months.

9

10 **Q.** What information is contained on Schedule E-5 of
11 Composite Exhibit KMF-2?

12

13 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical
14 data that includes the projected therm sales and numbers
15 of customers by customer class for the period from
16 January 2018 through December 2018.

17

18 **Q.** What is the appropriate cap factor for which Peoples
19 seeks approval?

20

21 **A.** The WACOG for which Peoples seeks approval as the annual
22 cap is a factor of \$1.04915 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?

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3 A. Yes, it does.

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Final True-Up January 2016 - December 2016

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- 2 Q. What were the total therm sales for the period January
- 3 2016 through December 2016?
- 4 A. Total therm sales were 907,420 therms.
- 5 Q. What were total therm purchases for the period January
- 6 2016 through December 2016?
- 7 A. Total therm purchases were 931,160.
- 8 Q. What was the cost of gas to be recovered through the
- 9 PGA for the period January 2016 through December 2016?
- 10 A. The cost of gas purchased for January 2016 through
- 11 December 2016 was \$373,873.86.
- 12 Q. What was the amount of gas revenue collected for the
- 13 period January 2016 through December 2016?
- 14 A. The amount of gas revenue collected to cover the cost
- 15 of gas was \$439,620.02.
- 16 Q. What is the total true-up provision for the period
- 17 January 2016 through December 2016?
- 18 A. The total true-up provision, including interest, is an
- 19 over-recovery of \$65,956.88 for the period.
- 20 Q. What is the amount of estimated true-up included for
- 21 January 2016 thru December 2016 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 2016 included in the January 2017 through
- 25 December 2017 PGA factor calculation was an over-

1 recovery of \$80,291.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2016 period to be included in the
4 January 2018 through December 2018 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2018 through December 2018
7 projection is \$14,334.12.

8 Q. Does this conclude your testimony?

9 A. Yes

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-1-

1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, **2018** through December 31, **2018**?

3 A. **76.40** cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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-2-

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Recovery)
)
_____)

Docket No. 20170003-GU
Submitted for filing
October 6, 2017

REVISED DIRECT TESTIMONY OF ANDY 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. Andy 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 REVISED testimony?

A. My purpose is to submit known and estimated gas
costs and revised therm sales from January 1, 2017 through
December 31, 2017, used in developing the maximum twelve
month levelized purchased gas cost factor to be applied
to customer bills from January 1, 2018 through
December 31, 2018.

Q. Have you prepared any exhibits in conjunction with
your revised testimony?

A. Yes, I have prepared and filed on **October 6, 2017**
Revised Schedules E-1 through E-5.

Q. What Revised Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its Revised petition
2 for the period January 1, 2018 through December 31, 2018?

3 A. Revised 1.089 cents per therm

4 Q. Does this conclude your revised testimony?

5 A. Yes

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1 CHAIRMAN BROWN: Moving on to the
2 exhibits.

3 MR. TAYLOR: Staff has compiled a
4 stipulated comprehensive exhibit list, which
5 includes the prefiled exhibits attached to the
6 witness testimony in this case. The list have
7 been provided to the parties, the Commissioners
8 and the court reporter. Staff would request
9 that the list be marked as the first hearing
10 exhibit, and other exhibits be marked as set
11 forth in the list.

12 CHAIRMAN BROWN: We will go ahead and do
13 that at this time.

14 (Whereupon, Exhibit No. 1-14 were marked
15 for identification.)

16 MR. TAYLOR: Staff request that the
17 comprehensive exhibit list marked as Exhibit
18 No. 1 be entered into the record.

19 CHAIRMAN BROWN: We will enter into the
20 record, seeing no objection, Exhibit No. 1, the
21 comprehensive exhibit list.

22 (Whereupon, Exhibit No. 1 was received
23 into evidence.)

24 MR. TAYLOR: And staff would request that
25 Exhibits 2 through 14 also be moved into the

1 record as set forth in the comprehensive
2 exhibit list.

3 CHAIRMAN BROWN: Seeing no objection, we
4 will go ahead and enter into the record
5 Exhibits 2 through 14, as set forth in the
6 comprehensive exhibit list.

7 (Whereupon, Exhibit Nos. 2-14 were
8 received into evidence.)

9 CHAIRMAN BROWN: All right. The decision.

10 MR. TAYLOR: Because there are proposed
11 stipulations on all issues in the case, staff
12 suggests the Commission can make a bench
13 decision; and if the Commission decides that a
14 bench decision is appropriate, staff recommends
15 that all proposed stipulations on pages five
16 through seven of the prehearing order, which
17 are Issues 1 through 7, be approved by the
18 Commission, noting that all parties have
19 approved the stipulations, and OPC has taken no
20 position on all issues.

21 CHAIRMAN BROWN: Thank you.

22 Commissioners, if you do not have any
23 questions on the issue -- the proposed
24 stipulations, we are ripe for a motion.

25 Commissioner Brisé.

1 COMMISSIONER BRISÉ: Thank you, Madam
2 Chairman.

3 I would move approval on all issues.

4 COMMISSIONER CLARK: Second.

5 CHAIRMAN BROWN: Any discussion on the
6 motion?

7 Seeing none. All those in favor, say aye.
8 (Chorus of ayes.)

9 CHAIRMAN BROWN: Motion passes
10 unanimously.

11 All right. Are there any other matters
12 that need to be addressed in this docket?

13 MR. TAYLOR: There are no other matters.
14 Since the Commission has made a bench decision,
15 post-hearing filings are not necessary. The
16 final order will be issued on November 14th,
17 2017.

18 CHAIRMAN BROWN: Any other matters that
19 need to be addressed by the parties?

20 Seeing none, we will go ahead and adjourn
21 the 03 docket.

22 (Whereupon, the proceedings were
23 concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED this 2nd day of November, 2017.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020