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October 9, 2018

BY E-PORTAL

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

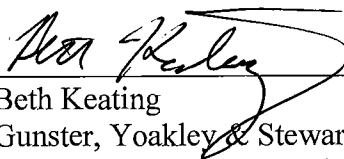
Re: Docket No. 20180003-GU –Purchased Gas Adjustment (PGA) True-Up.

Dear Ms. Stauffer:

Attached for electronic filing, please find the Supplemental Direct Testimony and Exhibits MB-3 and MB-4 of Mr. Miguel Bustos, submitted in the referenced docket on behalf of Florida City Gas. Under separate cover, Florida City Gas is submitting an Agreed Motion for Leave to File Supplemental Direct Testimony.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK
cc: Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**SUPPLEMENTAL DIRECT TESTIMONY
(PROJECTIONS AND PGA CAP) OF
MIGUEL BUSTOS ON BEHALF OF FLORIDA CITY GAS
DOCKET NO. 20180003-GU**

October 9, 2018

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

2 A. My name is Miguel Bustos. My business address is 4045 NW 97 Ave.
3 Doral, Fl. 33178

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

5 A. I am employed by Florida City Gas (“FCG” or “Company”) as Manager
6 Gov. & Community Affairs. I have been with the Company for
7 approximately 15 years.

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN
9 THIS PROCEEDING?**

10 A. Yes, I previously submitted pre-filed written direct testimony on August
11 20, 2018, in support of FCG’s request for Florida Public Service
12 Commission (“the Commission”) approval of a Purchased Gas
13 Adjustment (“PGA”) Factor to be applied for service to be rendered
14 during the projected period of January 1, 2019 through December 31,
15 2019 (the “Projection Period”).

16 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR SUPPLEMENTAL
17 DIRECT TESTIMONY.**

18 A. My Supplemental Direct Testimony is being submitted pursuant to the
19 Company’s Agreed Motion for Leave to Submit Supplemental Direct

1 Testimony in this proceeding.¹ The purpose of my Supplemental Direct
2 Testimony is to explain and sponsor Supplemental Exhibits MB-3 and
3 MB-4, which reflect a proposed credit to the PGA Factor that arises
4 from a Stipulation and Settlement Regarding Remaining Excess
5 Accumulated Deferred Income Tax Issues (“2018 EADIT Agreement”)
6 currently pending before the Commission in Docket No. 20180154-GU.
7 As explained below, FCG requests that the Commission’s order
8 approving the 2019 maximum levelized PGA Factor also include a
9 provision that authorizes and directs FCG to apply a levelized PGA tax
10 savings credit each month during 2019 (the “Projection Period”) if the
11 2018 EADIT Agreement is approved.

12 **Q. PLEASE DESCRIBE THE 2018 EADIT AGREEMENT.**

13 A. On October 23, 2017, FCG petitioned the Commission for a rate
14 increase to generate additional gross annual revenues in the amount of
15 \$19.3 million, with the effective date of such rate increase to be August
16 1, 2018 (“the Rate Case”). The parties to the Rate Case entered into a
17 Stipulation and Settlement to resolve the Rate Case (“Rate Case
18 Settlement”), which was approved by Commission Order No. PSC-
19 2018-0190-FOF-GU, issued April 20, 2018. The revenue increase
20 included in the Commission-approved Rate Case Settlement
21 incorporated a \$4,584,338 reduction to the Company’s 2018 projected

¹ The Company’s Agreed Motion also requested the Commission include an additional, Company-specific issue in this PGA proceeding: Should the 2019 PGA tax savings credit proposed by FCG be applied to customers’ bills in 2019?

1 test year to reflect the Company's projected tax savings from the Tax
2 Cuts and Jobs Act of 2017 (Pub. Law 115-97) ("TCJA").

3 Article II, Paragraph c. of the Commission-approved Rate Case
4 Settlement further acknowledged that the finalized amount of FCG's
5 "protected" and "unprotected" excess deferred taxes and the flow back
6 period of the excess "protected" deferred taxes, arising from the TCJA,
7 would be determined and trued-up either by submission of a later
8 agreement or the initiation of a limited scope proceeding. After multiple
9 extensions, FCG filed its Petition for Limited Scope proceeding on
10 August 10, 2018, which was docketed in Docket No. 20180154-GU.

11 Despite the Petition for Limited Scope proceeding, the parties
12 continued to negotiate in good faith in an effort to mutually resolve the
13 outstanding tax savings issues. Ultimately, FCG, the Office of Public
14 Counsel, and the Federal Executive Agencies entered into the 2018
15 EADIT Agreement, which fully resolves the outstanding tax savings
16 issues arising from the TCJA. The 2018 EADIT Agreement was filed
17 with the Commission on October 8, 2018, in Docket No. 20180154-GU,
18 and is currently pending before the Commission for disposition.

19 Pertinent to the 2019 PGA Factor, the 2018 EADIT Agreement
20 provides as follows:

21 The parties agree that \$1.6 million of basis
22 adjustments were incorrectly classified as "protected"
23 and shall be reclassified as "unprotected" with an
24 amortization period of five (5) years. The difference
25 between (a) FCG's revenue requirement based on the
26 current amortization in base rates, and (b) the

1 revenue requirement amount that would have been
2 flowed through using a five-year amortization is
3 \$304,943. **FCG agrees to file on or before October**
4 **12, 2018 a supplemental exhibit in Docket No.**
5 **20180003-EI, which will request authority to apply**
6 **a levelized Purchased Gas Adjustment credit each**
7 **month during 2019 to reflect the amortization of**
8 **\$304,943 if this 2018 EADIT Agreement is**
9 **approved.** FCG agrees to implement a base rate
10 reduction on January 1, 2019, in the amount of
11 \$304,943.

12 See 2018 EADIT Agreement in Docket No. 20180154-GU (emphasis
13 added). FCG hereby submits this Supplemental Direct Testimony and
14 Supplemental Exhibits No. MB-3 and MB-4 to reflect the levelized PGA
15 credit for tax savings to be applied each month during 2019 if the 2018
16 EADIT Agreement is approved by the Commission.

17 **Q. WHAT IS THE LEVELIZED PGA TAX SAVINGS CREDIT TO BE**
18 **APPLIED EACH MONTH DURING THE PROJECTION PERIOD IF**
19 **THE 2018 EADIT AGREEMENT IS APPROVED?**

20 A. The levelized PGA tax savings credit is 0.790 cents per therm. As
21 shown on Supplemental Exhibit MB-3, the monthly credit was
22 calculated by dividing the 2018 amortization impact of \$304,943 set
23 forth in the 2018 EADIT Agreement by FCG's estimated total annual
24 gas purchases by Sales Customers (38,603,220 therms) during the
25 Projection Period as set forth in Exhibit MB-2, Schedule E-1 provided
26 with FCG's original PGA Factor filing submitted on August 20, 2018.

1 **Q. HOW WILL THE LEVELIZED PGA TAX SAVINGS CREDIT BE**
2 **APPLIED TO CUSTOMERS' BILLS IF THE 2018 EADIT**
3 **AGREEMENT IS APPROVED?**

4 A. As explained in my direct testimony submitted on August 20, 2018,
5 FCG has requested approval of a maximum levelized PGA Factor, or
6 cap, based on the Company's projected winter cost of gas. If approved
7 by the Commission, this would be the maximum PGA Factor that FCG
8 may charge its Sales Customers during the Projection Period.
9 However, as explained in my Direct Testimony, the actual PGA rate
10 charged to Sales Customer may be flexed downward based market
11 conditions and to reduce the potential for large over-recoveries during
12 the summer season when natural gas prices are typically lower.

13 If the PGA tax savings credit is applied to the maximum levelized
14 PGA Factor, customers may not realize the full benefit of the 2018
15 amortization amount set forth in the 2018 EADIT Agreement because
16 FCG may not necessarily be charging the maximum levelized PGA
17 Factor in any particular month (*i.e.*, the actual PGA rate charged to
18 Sales Customers may be less than the maximum levelized PGA Factor
19 net of the PGA tax savings credit). To address this concern, FCG
20 proposes to apply the levelized PGA credit of 0.790 cents per therm to
21 the actual monthly PGA Factor to arrive at a net PGA rate to be
22 charged to Sales Customers each month during 2019. This approach
23 will ensure that Sales Customers receive the entire benefit of the 2018

1 EADIT Agreement during 2019. Supplemental Exhibit MB-4 is a *pro*
2 *forma* PGA tariff page that reflects the application of the PGA tax
3 savings credit to the actual monthly Factor to be charged to Sales
4 Customers each month during 2019 if the 2018 EADIT Agreement is
5 approved.

6 **Q. DOES THE PROPOSED PGA TAX SAVINGS CREDIT HAVE ANY**
7 **IMPACT ON THE CALCULATION OF THE 2019 MAXIMUM**
8 **LEVELIZED PGA FACTOR?**

9 A. No. The proposed PGA tax savings credit is calculated separately and
10 not included in FCG's calculation of the 2019 maximum levelized PGA
11 Factor. As explained above, if the 2018 EADIT Agreement is approved,
12 the proposed PGA tax savings credit will be applied to the actual
13 monthly PGA rate, not the 2019 maximum levelized PGA Factor. As
14 such, the proposed PGA tax savings credit will have no impact on the
15 calculation of the 2019 maximum levelized PGA Factor currently
16 pending before the Commission.²

17 **Q. IS FCG REQUESTING ANY ADDITIONAL RELIEF IN THIS**
18 **PROCEEDING AS IT PERTAINS TO THE PROPOSED PGA TAX**
19 **SAVINGS CREDIT?**

20 A. Yes. Consistent with the requirements of the 2018 EADIT Agreement,
21 FCG requests that the Commission's order approving the 2019
22 maximum levelized PGA Factor include a provision that authorizes and

² Similarly, if the Commission declines to adopt the 2018 EADIT Agreement, it will have no impact on the 2019 maximum levelized PGA Factor that is the subject of this proceeding.

FCG Supplemental Direct Testimony
Miguel Bustos

1 directs FCG to apply the proposed levelized PGA credit of 0.790 cents
2 per therm to the PGA rate charged to Sales Customers during the
3 period January 2019 through December 2019, as set forth in *pro forma*
4 tariff attached as Supplemental Exhibit MB-4, if the 2018 EADIT
5 Agreement in Docket No. 20180154-GU is approved.

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

7 A. Yes, it does.

SUPPLEMENTAL EXHIBIT MB-3

Calculation of 2019 PGA Tax Savings Credit

Purchased Gas Adjustment
Tax Savings Adjustment Calculation

1. ONE-TIME TAX SAVINGS CREDIT (a)		\$304,943
2. TOTAL THERM SALES JAN. 2019 - DEC. 2019 (b)		38,603,220
3. PGA TAX SAVINGS CREDIT (\$/therm)	(ln1/ln2)	0.00790

Notes:

- (a) From Stipulation and Settlement Regarding Remaining Excess Accumulated Deferred Income
- (b) From FCG Ex. MB-2, Schedule E-1, ln. 27 filed at Docket No. 20170003-GU

SUPPLEMENTAL EXHIBIT MB-4

Pro Forma PGA Tariff with 2019 PGA Tax Savings Credit

RIDER "A"

Purchased Gas Adjustment ("PGA")

Applicable to all Customers taking Sales Service from the Company under all GS, GL, RSG, CSG and NGV Rate Schedules. The PGA Charge, as defined herein, is designed to recover the cost to the Company of purchased gas or fuel used as a substitute for or supplemental to purchased gas including the cost of storing or transporting said gases or fuel, the cost of financial instruments employed to stabilize gas costs, other charges or credits as may result from the operation of other tariff provisions, and taxes and assessments in connection with the purchase and sale of gas.

A. The rate per therm for gas supplied in any billing period shall be adjusted by the Company's expected weighted average cost of gas (WACOG), and other adjustments as specified and approved by the Florida Public Service Commission. The WACOG may not exceed the Commission approved purchased gas cost recovery factor based on estimated gas purchases for the twelve-month period ending December 31st, in accordance with the methodology adopted by the Commission. The factor determined as set forth above shall be multiplied by 1.00503 for regulatory fees, and rounded to the nearest \$0.00001 per therm, to be applied to the total number of therms consumed by the Customer during the billing period.

B. The PGA cap recovery factor approved by the Commission for the billing months of January ~~2018-2019~~ through December ~~2018-2019~~ is ~~\$0.75850X.XXXXX~~ per therm.

C. If re-projected gas cost expenses for the remaining period exceed projected recoveries by at least 10% for the twelve-month period, a midcourse correction may formally be requested by the Company. For changes in market conditions and costs, the Company, upon one day's notice to the Commission, shall have the option of flexing downward (reducing the WACOG) or upward (increasing the WACOG) to the extent that the increase does not exceed the authorized cap. The current month WACOG may be adjusted for prior months' differences between projected and actual costs of gas purchased, but may not exceed the approved cap for the period.


D. Any overrecovery or underrecovery of purchased gas costs by the Company as a result of adjustments made pursuant to the above shall be "trued-up" (refunded to Customer or collected by Company) with interest, during succeeding billing periods as an adjustment to the WACOG, in accordance with the methodology adopted by the Commission, or as such methodology may be amended from time to time by further order of the Commission.

D.E. For the billing months of January 2019 through December 2019, the monthly PGA Charge will include a levelized credit of \$0.00790 per therm pursuant to the Stipulation and Settlement Regarding Remaining Excess Accumulated Deferred Income Tax Issues ("2018 EADIT Agreement") in Docket No. 20180154-GU. This monthly credit to the PGA charge will automatically expire on December 31, 2019.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Supplemental Direct Testimony of Mr. Miguel Bustos and Exhibits MB-3 and MB-4, has been furnished by Electronic Mail to the following parties of record this 9th day of October 2018:

Florida Public Utilities Company Mike Cassel 1750 S 14th Street, Suite 200 Fernandina Beach, FL 32034 mcassel@fpuc.com	MacFarlane Ferguson Law Firm Ansley Watson, Jr./Andrew Brown P.O. Box 1531 Tampa, FL 33601-1531 aw@macfar.com AB@macfar.com
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Peoples Gas System Paula Brown/Kandi Floyd P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com kfloyd@tecoenergy.com	St. Joe Natural Gas Company, Inc. Andy Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549 Andy@stjoegas.com
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