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August 7, 2020

**E-Portal**

Mr. Adam Teitzman  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 20200003-GU - Purchased gas adjustment (PGA) true-up.**

Dear Mr. Teitzman:

Attached for electronic filing, please find the Petition of Florida Public Utilities for Approval of PGA Factor for 2021, along with the Testimony and Exhibit DMC-2 of Derrick Craig, and the Testimony of Jeffrey Bates, on behalf of the Company.

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**

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

Docket No. 20200003-GU

Filed: August 7, 2020

**PETITION FOR APPROVAL OF THE PURCHASED GAS (PGA)  
FACTOR FOR FLORIDA PUBLIC UTILITIES COMPANY**

Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade (together “FPUC” or “the Company”) hereby files this petition for approval of the Purchased Gas Adjustment (“PGA”) factor to be applied for service to be rendered by the Company during the projected period of January 1, 2021 through December 31, 2021. In support of this Petition, FPUC states:

1. The Company is a natural gas utility with its principal office located at:

Florida Public Utilities Company  
208 Wildlight Avenue,  
Yulee, Florida 32097

2. The name and mailing address of the persons authorized to receive notices are:

Beth Keating, Esq  
Gunster, Yoakley & Stewart, P.A.  
215 S. Monroe St., Suite 601  
Tallahassee, FL 32301-1839  
(850) 521-1706  
bkeating@gunster.com

Mike Cassel, AVP/Regulatory and  
Governmental Affairs  
Florida Public Utilities Company  
208 Wildlight Avenue,  
Yulee, Florida 32097  
mcassel@fpuc.com

3. Pursuant to the requirements in this docket, FPUC, concurrently with the filing of this petition, files testimony and Schedules E-1, E-1R, E-2, E-3, E-4, and E-5 (Exhibit DMC-2) for its consolidated gas division to support the calculation of the PGA recovery (cap) factor for the period January 2021 through December 2021.

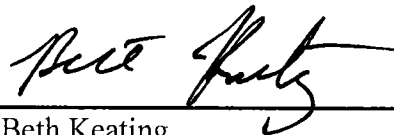
4. As indicated in the testimony of Mr. Derrick Craig, FPUC has calculated its total net true-up (including interest and applicable regulatory assessment fees) for the period January 2019 through December 2019 to be an over-recovery of \$884,793, inclusive of interest.
5. Schedule E-4 also shows the projected true-up for the current period January 2020 through December 2020 is an over-recovery of \$938,564 inclusive of interest.
6. The total net true-up as shown on Schedule E-4 is an over-recovery of \$1,823,357 to be refunded during the projected period.
7. Consistent with the prior year, the Company's projected period costs include amounts associated with anticipated capacity costs for extending service to unserved areas. In addition, the Company has included costs allocated from the Company's sister utility, the Florida Division of Chesapeake Utilities Corporation, in accordance with Order PSC-2015-0321-PAA-GU, issued August 10, 2015, in Docket No. 20150117-GU. These costs are reflected in Schedules E-1 and E-3, which are incorporated in composite Exhibit DMC-2 to the Direct Testimony of Mr. Craig.
8. The Company has forecasted the 2021 weighted average cost of gas using the projected monthly pipeline demand costs, less the projected cost of capacity temporarily relinquished to third parties, the projected pipeline usage and no-notice costs, and the projected supplier commodity costs, while also incorporating projected costs associated with the Company's purchased gas functions. Consistent with Commission Order No. PSC-2016-0422-TRF-GU, a portion of the intrastate capacity costs is now allocated to certain transportation service customers outside the PGA, which has resulted in a decrease to the costs to be allocated to customers subject to the PGA. As explained in the testimony of Company witness Jeffrey Bates, the sum of the costs to be allocated

through the PGA mechanism is then divided by projected therm sales to traditional, non-transportation service customers.

9. In calculating the costs to be allocated, the Company has included costs for outside consulting expenses associated with the ongoing review and modification to the Company's PGA and capacity cost allocation process. The costs included are directly tied to the gas purchase function of the Company and were not otherwise contemplated in the Company's last rate case.
10. Based on the estimated therm purchases for resale during the projected period, Schedule E-1 reflects that the maximum purchased gas cost recovery factor is 99.587¢ per therm. This rate includes not only the projected cost of gas purchased, but also the prior period true-up and revenue tax factors.

WHEREFORE, FPUC respectfully requests that the Commission enter its Order approving the Company's proposed PGA cost recovery factor cap of 99.587 cents per therm to be applied to customer's bills for the period January 2021 through December 2021.

RESPECTFULLY SUBMITTED this 7th day of August, 2020.



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Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706  
*Attorneys for Florida Public Utilities Company*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of FPUC's Petition for Approval of PGA Factor, in Docket No. 20200003-GU, along with the Testimony and Exhibit DMC-2 of Derrick Craig and the Testimony of Jeffrey Bates, have been furnished by electronic mail to the following parties of record this 7th day of August, 2020:

Florida Public Utilities Company Mike Cassel 208 Wildlight Ave. Yulee FL 32097 <a href="mailto:mcassel@fpuc.com">mcassel@fpuc.com</a>	MacFarlane Ferguson Law Firm Andrew Brown/Thomas Fariior P.O. Box 1531 Tampa, FL 33601-1531 <a href="mailto:AB@macfar.com">AB@macfar.com</a> <a href="mailto:trf@macfar.com">trf@macfar.com</a>
Kurt Schrader, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 <a href="mailto:kschrade@psc.state.fl.us">kschrade@psc.state.fl.us</a>	Office of Public Counsel J.R.Kelly/Patricia Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 <a href="mailto:Rehwinkel.Charles@leg.state.fl.us">Rehwinkel.Charles@leg.state.fl.us</a> <a href="mailto:Christensen.Patty@leg.state.fl.us">Christensen.Patty@leg.state.fl.us</a>
Peoples Gas System Paula Brown/Kandi Floyd P.O. Box 111 Tampa, FL 33601-0111 <a href="mailto:regdept@tecoenergy.com">regdept@tecoenergy.com</a> <a href="mailto:kfloyd@tecoenergy.com">kfloyd@tecoenergy.com</a>	St. Joe Natural Gas Company, Inc. Andy Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549 <a href="mailto:Andy@stjoegas.com">Andy@stjoegas.com</a>
Florida City Gas Kurt Howard Senior Director and General Manager 700 Universe Boulevard Juno Beach, FL 33408 <a href="mailto:Kurt.Howard@FPL.com">Kurt.Howard@FPL.com</a>	Christopher T. Wright Fla. Auth. House Counsel No. 1007055 Florida Power & Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408



Beth Keating  
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215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20200003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF DERRICK M. CRAIG

6                                   On behalf of Florida Public Utilities Company

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

8   A.     My name is Derrick M. Craig. My business address is 208 Wildlight Ave,  
9           Yulee, FL 32097.

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

11 A.     I am employed by Florida Public Utilities Company (FPUC, or the Company)  
12           as a Senior Regulatory Analyst.

13 **Q.     Can you please provide a brief overview of your educational and  
14           employment background?**

15 A.     I received a Bachelor of Electrical Engineering degree from the Georgia  
16           Institute of Technology 1991 and a Masters of Business Administration from  
17           the Darden Graduate School of Business (University of Virginia) in 1997. I  
18           have worked in various engineering and financial analysis roles for several  
19           utilities, including Baltimore Gas and Electric, Oglethorpe Power Company  
20           and Southern Company. I have been in my current position as Senior  
21           Regulatory Analyst with Florida Public Utilities Company (FPUC) since April  
22           2019. My responsibilities include the fulfillment of regulatory activities for  
23           FPUC, ranging from regulatory analysis to filings (Purchased Gas Adjustment,  
24           Swing Service, and the Gas Reliability Infrastructure Program) before the

1 Florida Public Service Commission.

2 **Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the**  
3 **Company?**

4 A. Yes.

5 **Q. Have you ever testified in the PGA Docket before?**

6 A. Yes.

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

8 A. My testimony will establish the PGA “true-up” collection amount, based on  
9 actual January 2019 through June 2020 data and projected July 2020 through  
10 December 2021 data. My testimony will summarize the computations that are  
11 contained in composite exhibit DMC-2 supporting the January through  
12 December 2020 projected PGA recovery (cap) factor for the FPUC  
13 consolidated gas division.

14 **Q. Which schedules have you included in your Exhibit DMC-2?**

15 A. The Company has previously filed True-Up schedules A-1, A-2, A-3, A-4, A-  
16 5, A-6 and A-7 in this proceeding. Exhibit DMC-2, which is included with  
17 my testimony, contains Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the  
18 FPUC consolidated gas division. These schedules support the calculation of the  
19 PGA recovery (cap) factor for January through December 2021.

20 **Q. Were these schedules completed by you or under your supervision?**

21 A. Yes, these schedules were completed by me.

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

23 A. The projection period is January through December 2021.

1 **Q. What is the appropriate final PGA true-up amount for the period**  
2 **January through December 2019?**

3 A. As shown on Schedule E-4, the final PGA true-up amount for the period  
4 January through December 2019 is an over-recovery of \$884,793 inclusive of  
5 interest.

6 **Q. What is the projected PGA true-up amount for the period January**  
7 **through December 2020?**

8 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-  
9 recovery of \$938,564 inclusive of interest, for the period January through  
10 December 2020.

11 **Q. What is the total projected PGA true-up amount to be collected from or**  
12 **refunded to customers for the period January through December 2021?**

13 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the  
14 period January through December 2020 is \$1,823,357.

15 **Q. What is the appropriate PGA recovery (cap) factor for the period January**  
16 **through December 2021?**

17 A. As shown on Schedule E-1, the PGA recovery (cap) factor is **99.587¢** per  
18 therm for the period January through December 2021.

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

21 A. The PGA recovery (cap) factor should be effective for all meter readings  
22 during the period of January 1, 2021 through December 31, 2021.

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



1 A. Yes.

COMPANY:		PURCHASED GAS ADJUSTMENT											SCHEDULE E-1	
FLORIDA PUBLIC UTILITIES COMPANY		COST RECOVERY CLAUSE CALCULATION												
		ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2021 THROUGH DECEMBER 2021												
		PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
<b>COST OF GAS PURCHASED</b>														
1	COMMODITY (Pipeline)	\$23,877	\$20,219	\$17,470	\$17,254	\$14,036	\$12,690	\$10,447	\$10,830	\$11,013	\$10,942	\$14,464	\$19,719	\$182,961
2	NO NOTICE SERVICE	\$8,891	\$6,357	\$5,853	\$3,915	\$1,660	\$1,606	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$48,362
3	SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	COMMODITY (Other)	\$2,128,887	\$1,790,789	\$1,515,036	\$1,416,259	\$1,143,063	\$1,043,303	\$867,610	\$902,323	\$912,510	\$912,344	\$1,217,215	\$1,705,364	\$15,554,703
5	DEMAND	\$2,931,110	\$2,844,756	\$2,924,560	\$2,861,328	\$2,520,700	\$2,452,238	\$2,466,530	\$2,473,240	\$2,455,849	\$2,566,309	\$2,904,307	\$2,933,420	\$32,334,347
6	OTHER	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,862	\$718,366
<b>LESS END-USE CONTRACT:</b>														
7	COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	DEMAND - SWING SERVICE CREDIT	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$1,221,178	\$14,654,138
9	COMMODITY (Other)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Second Prior Month Purchase Adj. (OPTIONAL)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	TOTAL COST (+1+2+3+4+5+6+10)-(7+8+9)	\$3,931,451	\$3,500,807	\$3,301,605	\$3,137,442	\$2,518,145	\$2,348,523	\$2,184,918	\$2,226,724	\$2,219,635	\$2,331,393	\$2,979,734	\$3,504,225	\$34,184,600
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$600	\$500	\$400	\$400	\$400	\$400	\$500	\$600	\$600	\$500	\$500	\$600	\$6,000
14	TOTAL THERM SALES	\$3,930,851	\$3,500,307	\$3,301,205	\$3,137,042	\$2,517,745	\$2,348,123	\$2,184,418	\$2,226,124	\$2,219,035	\$2,330,893	\$2,979,234	\$3,503,625	\$34,178,600
<b>THERMS PURCHASED</b>														
15	COMMODITY (Pipeline)	4,263,900	3,610,480	3,119,720	3,081,050	2,506,300	2,266,150	1,865,400	1,934,060	1,966,710	1,953,820	2,582,870	3,521,310	32,671,770
16	NO NOTICE SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
18	COMMODITY (Other)	4,263,900	3,610,480	3,119,720	3,081,050	2,506,300	2,266,150	1,865,400	1,934,060	1,966,710	1,953,820	2,582,870	3,521,310	32,671,770
19	DEMAND	10,818,380	9,755,200	10,780,560	9,669,600	3,440,380	2,487,300	2,585,400	2,711,570	2,556,600	4,285,130	10,486,800	10,845,040	80,421,960
20	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS END-USE CONTRACT:</b>														
21	COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	-
22	DEMAND - SWING SERVICE CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	-
23	COMMODITY (Other)	-	-	-	-	-	-	-	-	-	-	-	-	-
24	TOTAL PURCHASES (+17+18+20)-(21+23)	4,263,900	3,610,480	3,119,720	3,081,050	2,506,300	2,266,150	1,865,400	1,934,060	1,966,710	1,953,820	2,582,870	3,521,310	32,671,770
25	NET UNBILLED	-	-	-	-	-	-	-	-	-	-	-	-	-
26	COMPANY USE	1,247	1,041	838	978	903	928	1,149	1,301	1,241	1,136	1,136	1,147	13,044
27	TOTAL THERM SALES (For Estimated, 24 - 26)	4,262,653	3,609,439	3,118,882	3,080,072	2,505,397	2,265,222	1,864,251	1,932,759	1,965,469	1,952,684	2,581,734	3,520,163	32,658,726
<b>CENTS PER THERM</b>														
28	COMMODITY (Pipeline) (1/15)	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560	0.560
29	NO NOTICE SERVICE (2/16)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	SWING SERVICE (3/17)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
31	COMMODITY (Other) (4/18)	49.928	49.600	48.563	45.967	45.608	46.039	46.511	46.654	46.398	46.695	47.126	48.430	47.609
32	DEMAND (5/19)	27.094	29.161	27.128	29.591	73.268	98.590	95.402	91.211	96.059	59.889	27.695	27.048	40.206
33	OTHER (6/20)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>LESS END-USE CONTRACT:</b>														
34	COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	DEMAND - SWING SERVICE CREDIT (8/22)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
36	COMMODITY Other (9/23)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
37	TOTAL COST OF PURCHASES (11/24)	92.203	96.962	105.830	101.830	100.473	103.635	117.129	115.132	112.866	119.325	115.365	99.515	104.630
38	NET UNBILLED (12/25)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
39	COMPANY USE (13/26)	48.121	48.039	47.743	40.906	44.288	43.107	43.509	46.115	48.336	44.031	44.031	52.324	45.999
40	TOTAL COST OF THERM SOLD (11/27)	92.230	96.990	105.859	101.863	100.509	103.677	117.201	115.210	112.932	119.394	115.416	99.547	104.672
41	TRUE-UP (REFUND)/RECOVER (E-4)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)	(5.583)
42	TOTAL COST OF GAS (40+41)	86.647	91.407	100.276	96.280	94.926	98.094	111.618	109.627	107.349	113.811	109.833	93.964	99.089
43	REVENUE TAX FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44	PGA FACTOR ADJUSTED FOR TAXES (42+43)	87.08254	91.86665	100.77948	96.76341	95.40282	98.58730	112.17873	110.17747	107.88800	114.38314	110.38488	94.43641	99.58710
45	PGA FACTOR (ROUNDED TO NEAREST .001)	87.083	91.867	100.779	96.763	95.403	98.587	112.179	110.177	107.888	114.383	110.385	94.436	99.587

COMPANY:		PURCHASED GAS ADJUSTMENT COST RECOVERY CLAUSE CALCULATION ACTUAL JANUARY 2020 THROUGH JUNE 2020 ESTIMATED JULY 2020 THROUGH DECEMBER 2020												SCHEDULE E-1/R
		ACTUAL					PROJECTED					TOTAL		
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>COST OF GAS PURCHASED</b>														
1	COMMODITY (Pipeline)	\$20,555	\$13,166	\$12,776	\$672	\$5,970	3,907	\$3,040	\$2,875	\$3,098	\$3,044	\$4,007	\$5,168	\$78,278
2	NO NOTICE SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$20,080
3	SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	COMMODITY (Other)	\$1,444,714	\$364,823	\$1,007,282	-\$122,815	\$195,878	\$199,631	\$509,287	\$582,302	\$642,454	\$606,269	\$907,618	\$1,103,271	\$7,440,714
5	DEMAND	\$2,473,650	\$2,427,266	\$2,481,088	\$2,395,839	\$2,112,526	\$2,736,866	\$2,298,618	\$2,307,857	\$2,284,654	\$2,403,880	\$2,735,458	\$2,769,206	\$29,426,908
6	OTHER	\$37,380	\$18,096	\$28,129	\$28,368	\$34,788	\$29,729	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$371,189
<b>LESS END-USE CONTRACT:</b>														
7	COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	DEMAND - SWING SERVICE CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$4,687,150
9	COMMODITY (Other)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Second Prior Month Purchase Adj. (OPTIONAL)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	TOTAL COST (+1+2+3+4+5+6-10)-(7-8+9)	\$3,976,299	\$2,823,351	\$3,529,276	\$2,302,064	\$2,349,162	\$2,970,132	\$2,063,848	\$2,145,937	\$2,183,041	\$2,267,563	\$2,903,403	\$3,135,942	\$32,650,019
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$1,079	\$901	\$725	\$846	\$782	\$803	\$400	\$500	\$500	\$400	\$500	\$500	\$7,937
14	TOTAL THERM SALES	\$3,421,874	\$3,056,542	\$2,440,460	\$2,530,260	\$2,420,496	\$2,235,061	\$2,063,448	\$2,145,437	\$2,182,541	\$2,267,163	\$2,902,903	\$3,135,442	\$30,801,633
<b>THERMS PURCHASED</b>														
15	COMMODITY (Pipeline)	3,856,380	2,470,130	2,918,520	120,040	1,354,360	1,001,220	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	25,330,430
16	NO NOTICE SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	0
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	0
18	COMMODITY (Other)	4,289,282	4,470,403	1,726,146	1,616,003	2,258,250	1,645,808	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	29,615,672
19	DEMAND	13,309,355	11,957,275	12,503,656	9,184,477	4,697,276	4,220,260	5,979,900	6,130,560	5,887,800	7,736,050	13,857,600	14,310,840	109,775,049
20	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>LESS END-USE CONTRACT:</b>														
21	COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	0
22	DEMAND - SWING SERVICE CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	0
23	COMMODITY (Other)	-	-	-	-	-	-	-	-	-	-	-	-	0
24	TOTAL PURCHASES (+17-18+20)-(21+23)	4,289,282	4,470,403	1,726,146	1,616,003	2,258,250	1,645,808	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	29,615,672
25	NET UNBILLED	0	0	0	0	0	0	0	0	0	0	0	0	0
26	COMPANY USE	1,247	1,041	838	978	903	928	1,357	1,487	1,598	1,336	1,544	1,539	14,795
27	TOTAL THERM SALES (For Estimated, 24 - 26)	8,587,373	7,912,310	7,453,914	5,876,998	5,649,465	5,390,654	1,947,203	1,841,333	1,984,392	1,949,724	2,567,266	3,311,001	54,471,633
<b>CENTS PER THERM</b>														
28	COMMODITY (Pipeline) (1/15)	0.533	0.533	0.438	0.560	0.441	0.390	0.156	0.156	0.156	0.156	0.156	0.156	0.309
29	NO NOTICE SERVICE (1/16)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	SWING SERVICE (1/17)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
31	COMMODITY (Other) (4/18)	33.682	8.161	58.354	(7.600)	8.674	12.130	26.137	31.598	32.349	31.074	35.332	33.306	25.124
32	DEMAND (5/19)	18.586	20.299	19.843	26.086	44.973	64.851	38.439	37.645	38.803	31.074	19.740	19.350	26.807
33	OTHER (6/20)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>LESS END-USE CONTRACT:</b>														
34	COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	DEMAND - SWING SERVICE CREDIT (8/22)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
36	COMMODITY Other (9/23)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
37	TOTAL COST OF PURCHASES (11/24)	92.700	63.157	204.460	142.454	104.026	180.466	105.917	116.449	109.922	116.222	113.025	94.669	110.246
38	NET UNBILLED (12/25)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
39	COMPANY USE (13/26)	86.565	86.566	86.565	86.564	86.565	86.565	29.477	33.625	31.289	29.940	32.383	32.489	53.646
40	TOTAL COST OF THERM SOLD (11/27)	46.304	35.683	47.348	39.171	41.582	55.098	105.990	116.543	110.011	116.302	113.093	94.713	59.939
41	TRUE-UP (1/1)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)
42	TOTAL COST OF GAS (40+41)	43.941	33.320	44.985	36.808	39.219	52.735	103.627	114.180	107.648	113.939	110.730	92.350	57.576
43	REVENUE TAX FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44	PGA FACTOR ADJUSTED FOR TAXES (42+43)	44.16182	33.48745	45.21101	36.99271	39.41610	52.99980	104.14813	114.75335	108.18852	114.51130	111.28662	92.81386	57.86581
45	PGA FACTOR (ROUNDED TO NEAREST .001)	44.162	33.487	45.211	36.993	39.416	53.000	104.148	114.753	108.189	114.511	111.287	92.814	57.866

COMPANY:		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT											SCHEDULE E-2	
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2020 THROUGH JUNE 2020 ESTIMATED JULY 2020 THROUGH DECEMBER 2020												
		----- ACTUAL -----					----- PROJECTED -----			----- PROJECTED -----				
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>TRUE-UP CALCULATION</b>														
1	PURCHASED GAS COST	\$1,444,714	\$364,823	\$1,007,282	(\$122,815)	\$195,878	\$199,631	\$509,287	\$582,302	\$642,454	\$606,269	\$907,618	\$1,103,271	\$7,440,714
2	TRANSPORTATION COST	\$2,531,585	\$2,458,528	\$2,521,994	\$2,424,879	\$2,153,283	\$2,770,501	\$1,554,561	\$1,563,635	\$1,540,587	\$1,661,294	\$1,995,785	\$2,032,671	\$25,209,305
3	TOTAL	\$3,976,299	\$2,823,351	\$3,529,276	\$2,302,064	\$2,349,162	\$2,970,132	\$2,063,848	\$2,145,937	\$2,183,041	\$2,267,563	\$2,903,403	\$3,135,942	\$32,650,019
4	FUEL REVENUES (NET OF REVENUE TAX)	\$3,999,015	\$3,679,720	\$3,352,450	\$2,606,713	\$2,582,107	\$2,224,513	\$2,017,836	\$2,102,427	\$2,136,150	\$2,221,491	\$2,842,739	\$3,057,703	\$32,822,864
5	TRUE-UP - (COLLECTED) OR REFUNDED	\$62,790	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$62,796	\$753,546
6	FUEL REVENUE APPLICABLE TO PERIOD <small>Add Lines 5+6</small>	\$4,061,805	\$3,742,516	\$3,415,246	\$2,669,509	\$2,644,903	\$2,287,309	\$2,080,632	\$2,165,223	\$2,198,946	\$2,284,287	\$2,905,535	\$3,120,499	\$33,576,410
7	TRUE-UP - OVER(UNDER) - THIS PERIOD <small>Line 6 - Line 3</small>	\$85,506	\$919,166	(\$114,031)	\$367,445	\$295,741	(\$682,823)	\$16,784	\$19,286	\$15,905	\$16,724	\$2,132	(\$15,443)	\$926,391
8	INTEREST PROVISION -THIS PERIOD <small>Line 21</small>	\$2,194	\$2,698	\$3,480	\$2,226	\$388	\$226	\$170	\$166	\$162	\$159	\$155	\$149	\$12,173
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$1,638,336	\$1,663,246	\$2,522,314	\$2,348,967	\$2,655,843	\$2,889,176	\$2,143,784	\$2,097,941	\$2,054,597	\$2,007,867	\$1,961,954	\$1,901,445	\$1,638,336
10	TRUE-UP COLLECTED OR (REFUNDED) <small>Reverse of Line 6</small>	(\$62,790)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$62,796)	(\$753,546)
10a	FLEX RATE REFUND (if applicable)													
11	TOTAL ESTIMATED/ACTUAL TRUE-UP <small>Add Lines 7 + 8 + 9 + 10 + 10a</small>	\$1,663,246	\$2,522,314	\$2,348,967	\$2,655,842	\$2,889,176	\$2,143,784	\$2,097,941	\$2,054,597	\$2,007,867	\$1,961,954	\$1,901,445	\$1,823,355	
<b>INTEREST PROVISION</b>														
12	BEGINNING TRUE-UP <small>Line 9</small>	\$1,638,336	\$1,663,246	\$2,522,314	\$2,348,967	\$2,655,843	\$2,889,176	\$2,143,784	\$2,097,941	\$2,054,597	\$2,007,867	\$1,961,954	\$1,901,445	\$25,885,470
13	ENDING TRUE-UP BEFORE INTEREST <small>Add Lines 12 + 7 + 10</small>	\$1,661,052	\$2,519,616	\$2,345,487	\$2,653,616	\$2,888,788	\$2,143,558	\$2,097,771	\$2,054,431	\$2,007,705	\$1,961,795	\$1,901,290	\$1,823,206	\$26,058,315
14	TOTAL (12+13) <small>Add Lines 12 + 13</small>	\$3,299,388	\$4,182,862	\$4,867,801	\$5,002,584	\$5,544,632	\$5,032,734	\$4,241,555	\$4,152,372	\$4,062,302	\$3,969,662	\$3,863,244	\$3,724,650	\$51,943,784
15	AVERAGE <small>50% of Line 14</small>	\$1,649,694	\$2,091,431	\$2,433,901	\$2,501,292	\$2,772,316	\$2,516,367	\$2,120,777	\$2,076,186	\$2,031,151	\$1,984,831	\$1,931,622	\$1,862,325	\$25,971,892
16	INTEREST RATE - FIRST DAY OF MONTH	1.59%	1.59%	1.51%	1.91%	0.22%	0.11%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.59%	1.51%	1.91%	0.22%	0.11%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	
18	TOTAL <small>Add Lines 16 + 17</small>	3.18%	3.10%	3.42%	2.13%	0.33%	0.21%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	
19	AVERAGE <small>50% of Line 18</small>	1.590%	1.550%	1.710%	1.065%	0.165%	0.105%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	
20	MONTHLY AVERAGE <small>Line 19 / 12 mos.</small>	0.133%	0.129%	0.143%	0.089%	0.014%	0.009%	0.008%	0.008%	0.008%	0.008%	0.008%	0.008%	
21	INTEREST PROVISION <small>Line 15 * Line 20</small>	\$2,194	\$2,698	\$3,480	\$2,226	\$388	\$226	\$170	\$166	\$162	\$159	\$155	\$149	\$12,173

COMPANY:			PURCHASED GAS ADJUSTMENT TRANSPORTATION PURCHASES SYSTEM SUPPLY AND END USE							SCHEDULE E-3	
FLORIDA PUBLIC UTILITIES COMPANY			ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2021 THROUGH DECEMBER 2021								
MONTH	PURCHASED FROM	PURCHASED FOR	SCH TYPE	UNITS SYSTEM SUPPLY	UNITS END USE	UNITS TOTAL PURCHASED	COMMODITY COST		DEMAND COST	OTHER CHARGES ACA/GRI/FUEL	TOTAL CENTS PER THERM
							THIRD PARTY	PIPELINE			
JANUARY	VARIOUS	SYS SUPPLY	N/A	4,263,900	0	4,263,900	\$2,128,887	\$83,741	\$1,718,823	INCLUDED IN COST	92.203
FEBRUARY	VARIOUS	SYS SUPPLY	N/A	3,610,480	0	3,610,480	\$1,790,789	\$80,083	\$1,629,935	INCLUDED IN COST	96.962
MARCH	VARIOUS	SYS SUPPLY	N/A	3,119,720	0	3,119,720	\$1,515,036	\$77,334	\$1,709,235	INCLUDED IN COST	105.830
APRIL	VARIOUS	SYS SUPPLY	N/A	3,081,050	0	3,081,050	\$1,416,259	\$77,118	\$1,644,065	INCLUDED IN COST	101.830
MAY	VARIOUS	SYS SUPPLY	N/A	2,506,300	0	2,506,300	\$1,143,063	\$73,900	\$1,301,182	INCLUDED IN COST	100.473
JUNE	VARIOUS	SYS SUPPLY	N/A	2,266,150	0	2,266,150	\$1,043,303	\$72,554	\$1,232,666	INCLUDED IN COST	103.635
JULY	VARIOUS	SYS SUPPLY	N/A	1,865,400	0	1,865,400	\$867,610	\$70,311	\$1,246,997	INCLUDED IN COST	117.129
AUGUST	VARIOUS	SYS SUPPLY	N/A	1,934,060	0	1,934,060	\$902,323	\$70,694	\$1,253,707	INCLUDED IN COST	115.132
SEPTEMBER	VARIOUS	SYS SUPPLY	N/A	1,966,710	0	1,966,710	\$912,510	\$70,877	\$1,236,248	INCLUDED IN COST	112.860
OCTOBER	VARIOUS	SYS SUPPLY	N/A	1,953,820	0	1,953,820	\$912,344	\$70,806	\$1,348,243	INCLUDED IN COST	119.325
NOVEMBER	VARIOUS	SYS SUPPLY	N/A	2,582,870	0	2,582,870	\$1,217,215	\$74,328	\$1,688,191	INCLUDED IN COST	115.365
DECEMBER	VARIOUS	SYS SUPPLY	N/A	3,521,310	0	3,521,310	\$1,705,364	\$79,581	\$1,719,280	INCLUDED IN COST	99.515
<b>TOTAL</b>				32,671,770	0	32,671,770	\$15,554,703	\$901,327	\$17,728,570		104.630

COMPANY: <b>FLORIDA PUBLIC UTILITIES COMPANY</b>		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2021 THROUGH DECEMBER 2021				SCHEDULE E-4
		PRIOR PERIOD: JANUARY 2019 THROUGH DECEMBER 2019			CURRENT PERIOD: JANUARY 2020 THROUGH DECEMBER 2020	(5)  (3)+(4) COMBINED TOTAL TRUE-UP
		(1)  SIX MONTHS ACTUAL PLUS SIX MONTHS PROJECTED	(2)  ACTUAL	(3)  (2) - (1) DIFFERENCE	(4)  SIX MONTHS ACTUAL PLUS SIX MONTHS PROJECTED	
1	TOTAL THERM SALES (\$)	\$33,489,784	\$33,036,701	(\$453,083)	\$33,576,410	\$33,123,327
2	TRUE-UP PROVISION FOR THE PERIOD OVER/(UNDER) COLLECTION (\$)	\$3,352,034	\$4,235,303	\$883,269	\$926,391	\$1,809,660
3	INTEREST PROVISION FOR THE PERIOD (\$)	\$23,169	\$24,693	\$1,524	\$12,173	\$13,697
4	END OF PERIOD TOTAL NET TRUE-UP (\$)	\$3,375,203	\$4,259,996	\$884,793	\$938,564	\$1,823,357
TOTAL TRUE-UP DOLLARS - OVER/(UNDER) RECOVERY						\$1,823,357
PROJECTED THERM SALES FOR JANUARY 2021 - DECEMBER 2021						32,658,726
CENTS PER THERM NECESSARY TO REFUND OVERRECOVERY / (COLLECT UNDERRECOVERY)						<u>5.583</u>

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		PURCHASED GAS ADJUSTMENT THERM SALES AND CUSTOMER DATA												SCHEDULE E-5
ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2021 THROUGH DECEMBER 2021														
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
<b>PGA COST</b>														
1	Commodity costs	\$2,128,887	\$1,790,789	\$1,515,036	\$1,416,259	\$1,143,063	\$1,043,303	\$867,610	\$902,323	\$912,510	\$912,344	\$1,217,215	\$1,705,364	\$15,554,703
2	Transportation costs	\$2,963,878	\$2,871,332	\$2,947,883	\$2,882,497	\$2,536,396	\$2,466,534	\$2,478,622	\$2,485,715	\$2,468,439	\$2,580,363	\$2,923,833	\$2,960,178	\$32,565,670
3	Hedging costs													
4	(financial settlement)													
5	Other	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,864	\$59,862	\$718,366
6	<b>Total</b>	<b>\$5,152,629</b>	<b>\$4,721,985</b>	<b>\$4,522,783</b>	<b>\$4,358,620</b>	<b>\$3,739,323</b>	<b>\$3,569,701</b>	<b>\$3,406,096</b>	<b>\$3,447,902</b>	<b>\$3,440,813</b>	<b>\$3,552,571</b>	<b>\$4,200,912</b>	<b>\$4,725,404</b>	<b>\$48,838,739</b>
<b>PGA THERM SALES</b>														
7	Residential	1,748,199	1,480,297	1,279,085	1,263,230	1,027,583	929,122	764,814	792,965	806,351	801,066	1,058,977	1,443,737	13,395,426
8	Commercial	2,515,701	2,130,183	1,840,635	1,817,820	1,478,716	1,337,029	1,100,586	1,141,095	1,160,359	1,152,754	1,523,893	2,077,573	19,276,344
9	<b>Total</b>	<b>4,263,900</b>	<b>3,610,480</b>	<b>3,119,720</b>	<b>3,081,050</b>	<b>2,506,299</b>	<b>2,266,151</b>	<b>1,865,400</b>	<b>1,934,060</b>	<b>1,966,710</b>	<b>1,953,820</b>	<b>2,582,870</b>	<b>3,521,310</b>	<b>32,671,770</b>
<b>PGA REVENUES</b>														
10	Residential	1,611,895	1,435,330	1,353,658	1,286,351	1,032,439	962,895	895,816	912,957	910,050	955,871	1,221,691	1,436,732	14,015,685
11	Commercial	2,319,556	2,065,476	1,947,947	1,851,091	1,485,705	1,385,629	1,289,101	1,313,767	1,309,585	1,375,522	1,758,043	2,067,493	20,168,915
12	<b>Total</b>	<b>3,931,451</b>	<b>3,500,806</b>	<b>3,301,605</b>	<b>3,137,442</b>	<b>2,518,144</b>	<b>2,348,524</b>	<b>2,184,917</b>	<b>2,226,724</b>	<b>2,219,635</b>	<b>2,331,393</b>	<b>2,979,734</b>	<b>3,504,225</b>	<b>34,184,600</b>
<b>NUMBER OF PGA CUSTOMERS</b>														
13	Residential	60,527	60,574	60,803	61,098	61,118	61,269	61,581	61,421	61,536	61,610	61,877	62,161	735,575
14	Commercial	4,041	4,038	4,032	4,054	4,044	4,029	4,022	4,033	4,036	4,027	4,037	4,030	48,423
50	<b>Total</b>	<b>64,568</b>	<b>64,612</b>	<b>64,835</b>	<b>65,152</b>	<b>65,162</b>	<b>65,298</b>	<b>65,603</b>	<b>65,454</b>	<b>65,572</b>	<b>65,637</b>	<b>65,914</b>	<b>66,191</b>	<b>783,998</b>

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20200003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF JEFFREY B. BATES

6                                   On behalf of Florida Public Utilities Company

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

8   A.     My name is Jeffrey Bates. My business address is 331 W. Central Ave, Suite  
9           200, Winter Haven, FL 33880.

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

11 A.     I am employed by Florida Public Utilities Company (“FPUC” or “Company”)  
12           as a Senior Energy Logistics Analyst.

13 **Q.    Can you please provide a brief overview of your educational and  
14           employment background?**

15 A.     I graduated from Delaware State University in 1994 with a Bachelor’s of  
16           Science degree in Accounting. I graduated from Wilmington University in  
17           1999 with a Masters of Business Administration. I have been employed by  
18           FPUC since January of 1996.

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

21 A.     Yes.

22 **Q.    Have you ever testified before the Florida Public Service Commission  
23           (“FPSC”)?**

24 A.     No



1 **Q. Are you sponsoring any Exhibits in this case?**

2 A. No. Numerical references made in my testimony relate to Exhibit DMC-2  
3 being sponsored by Derrick Craig.

4

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

7 A. The purchases for the gas cost projection model are based on projected sales to  
8 traditional non-transportation service customers. Florida Gas Transmission  
9 Company's ("FGT") FTS-1, FTS-2, FTS-3, NNTS-1, and ITS-1 as well as  
10 Southern Natural Gas ("SONAT") and the Florida Southeast Connection  
11 ("FSC") effective charges (including surcharges) and fuel rates, based on the  
12 prices from the FGT and SONAT posted rates and FSC rates from a precedent  
13 agreement. These were used for the entire projection period. As is further  
14 explained herein, the Company has also included costs related to the various  
15 expansion projects in the counties of Palm Beach, Polk and Nassau. FPUC has  
16 entered into an Asset Management Agreement ("AMA") with Emera Energy to  
17 help facilitate the delivery of natural gas in the northeast division.  
18 Additionally, the company has included costs related to compressed natural gas  
19 which is used to bring supply to areas as a virtual pipeline for emergency and  
20 planned services. The expected costs of natural gas purchased by the Company  
21 during the projection period were developed using actual prices paid during  
22 relevant historical periods and the Henry Hub natural gas futures pricing  
23 through the end of the projection period. The forecasts of the commodity

1 costs were then adjusted to reflect the unexpected potential market increases in  
2 the projection period.

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

5 A. The Company has forecasted the 2021-weighted average cost of gas using the  
6 projected monthly pipeline demand costs, less the projected cost of capacity  
7 temporarily relinquished to third parties, the projected pipeline usage and no-  
8 notice costs and the projected supplier commodity costs. The weighted average  
9 cost of gas also includes projected costs related to our purchased gas functions  
10 and anticipated a credit for the swing service rider. The sum of these costs are  
11 then divided by the projected therm sales to the traditional non-transportation  
12 customers resulting in the projected weighted average cost of gas and  
13 ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.  
14 Capacity shortfall if any, would be satisfied by gas and capacity repackaged  
15 and delivered by another FGT or SONAT capacity holder. If other services  
16 become available and it is economic to dispatch supplies under those services,  
17 the Company will utilize those services as part of its portfolio.

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

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

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

4 A. Yes. There is a Local Distribution Company (“LDC”) to LDC interconnect  
5 with TECO/PGS and CFG for pressure stabilization of CFG’s system in  
6 Hernando County. There is also an interconnection to CFG’s facilities for  
7 Gulfstream’s Baseball City Gate southward through Davenport and Haines  
8 City as well as the expansion into Escambia County. Finally, there is an  
9 interconnection to CFG’s facilities from a new Gulfstream gate station in  
10 Auburndale.

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

13 A. Consistent with the prior years, the modified cost allocation methodology and  
14 revised purchased gas adjustment calculation approved by the Commission by  
15 Order No. PSC-2015-0321-PAA-GU, issued August 10, 2015, had been  
16 applied to allocate these costs to the Transitional Transportation Service (TTS)  
17 pool customers, until the approval of the Swing Service Rider in 2016, which  
18 allocates these costs to certain transportation service customers who were not  
19 part of modified cost allocation methodology approved in 2015.

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

21 A. On April 11, 2016, Docket No. 20160085-GU, Florida Public Utilities, CFG,  
22 Florida Public Utilities Indiantown and Ft. Meade Divisions (the Companies)  
23 filed a joint petition for approval of the Swing Service Rider with this

1 Commission. The Swing Service Rider proposed that the allocation of all  
2 costs be expanded to include transportation service customers on FPUC's  
3 system (i.e., customers who are not part of the current PGA mechanism) as  
4 well as shippers on CFG's system that are not part of the TTS pools. The  
5 Companies believe that these customers ultimately should bear their fair  
6 portion of the intrastate capacity costs. However, the Companies recognize that  
7 shippers for the larger classes of customers provide a service under contracts  
8 that will likely need to be amended to adjust for the revised cost allocations  
9 and systems need to be implemented to allow for billing of these charges to  
10 transportation customers and/or shippers. This petition was approved  
11 September 2016, Order No. PSC-2016-0422-TRF-GU.

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

13 A. As shown on Schedule E-1, the Company has reduced PGA costs of  
14 \$14,654,138 attributable to the Swing Service Rider allocated to certain gas  
15 transportation customers.

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

18 A. The Company compiled the actual throughput volumes, based on the most  
19 recent 12-months usage data, for each affected transportation and sales rate  
20 schedule to determine the percentage split between transportation and sales  
21 service customers relative to the total throughput for the affected rate  
22 schedules. The split for allocating the annual total intrastate and LDC-to-LDC  
23 capacity costs of \$12.1 million is 70.89 percent (\$8.6 million) to transportation

1 customers and 29.11 percent (\$3.5 million) to sales customers. Then, the  
2 transportation customers' share of the \$8.6 million would be allocated to the  
3 affected transportation rate schedules in proportion to each rate schedule's  
4 share of the total throughput for the affected transportation rate schedules. The  
5 costs allocated to each rate schedule was then divided by the rate schedule's  
6 number of therms to calculate the cost recovery factor to be billed by rate  
7 schedule directly to the transportation customers. Since the Company  
8 recognized that implementation of the swing service rider could have a  
9 significant financial impact on large volume customers, the Company  
10 requested and received approval of a stepped implementation process, annually  
11 applying a rate of 20 percent of the total allocation until 100 percent is reached  
12 in five years. Since the projection period will make five years, the Company  
13 applied a rate of 100 percent this year to the large volume customers.

14 **Q. Have the appropriate related costs and credits been included in the**  
15 **Projections for 2021?**

16 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit DMC-2,  
17 the Company has included the costs of existing and planned interstate and  
18 intrastate capacity agreements, as well as the costs associated with the Swing  
19 Service Rider as described above.

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

22 A. Yes, included with our purchased gas costs are consulting expenses to assist in  
23 the advancement of our PGA processes. Additionally, the Company has

1 included costs associated with a software tool used by the Company to manage  
2 customer usage and assist in determining the gas supply needs for the rate  
3 classes subject to the PGA. These costs directly influence the Company's  
4 PGA factor and are appropriate for recovery through the PGA clause.

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

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

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

15 A. The projection period is January through December 2021.

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

17 A. Yes.