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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200003-GU

PURCHASED GAS ADJUSTMENT
(PGA) TRUE-UP.
_____ /

VOLUME 1
PAGES 1 through 69

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, November 3, 2020

TIME: Commenced: 10:35 a.m.
Concluded: 10:39 a.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 and GREGORY M. MUNSON, ESQUIRES,
3 Gunster, Yoakley & Stewart, P.A., 215 South Monroe
4 Street, Suite 601, Tallahassee, Florida 32301-1839; and
5 CHRISTOPHER T. WRIGHT, ESQUIRE, 700 Universe Boulevard,
6 Juno Beach, Florida 33408, appearing on behalf of
7 Florida City Gas.

8 BETH KEATING, ESQUIRE, Gunster, Yoakley &
9 Stewart, P.A., 215 South Monroe Street, Suite 601,
10 Tallahassee, Florida 32301-1839, appearing on behalf of
11 Florida Public Utilities Company and Florida Public
12 Utilities Company - Fort Meade.

13 ANDREW M. BROWN, ESQUIRE, Macfarlane Ferguson
14 & McMullen, Post Office Box 1531, Tampa, Florida,
15 33601-1531, appearing on behalf of Peoples Gas System.

16 STUART SHOAF, PRESIDENT, and ANDY SHOAF, VICE
17 PRESIDENT, Post Office Box 549, Port St. Joe, Florida
18 32457-0549, appearing on behalf of St. Joe Natural Gas
19 Company, Inc.

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1 APPEARANCES (CONTINUED):

2 J.R. KELLY, PUBLIC COUNSEL; CHARLES REHWINKEL,
3 DEPUTY PUBLIC COUNSEL; and PATRICIA A. CHRISTENSEN and
4 A. MIREILLE FALL-FRY, ESQUIRES, Office of Public
5 Counsel, c/o The Florida Legislature, 111 W. Madison
6 Street, Room 812, Tallahassee, Florida 32399-1400,
7 appearing on behalf of the Citizens of the State of
8 Florida.

9 KURT M. SCHRADER, ESQUIRE, FPSC General
10 Counsel's Office, 2540 Shumard Oak Boulevard,
11 Tallahassee, Florida 32399-0850, appearing on behalf of
12 the Florida Public Service Commission Staff.

13 KEITH C. HETRICK, GENERAL COUNSEL; MARY ANNE
14 HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service
15 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
16 Florida 32399-0850, Advisor to the Florida Public
17 Service Commission.

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I N D E X

WITNESSES

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EXHIBITS

NUMBER:		ID	ADMITTED
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1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. Good morning
3 again. We are going to call the November 3rd
4 clause docket hearing to order.

5 I would ask staff, if they would, please read
6 the notice.

7 MS. WEISENFELD: By notice issued on October
8 7th, 2020, this time and place has been set for
9 hearings in Docket Nos. 20200001-EI, 20200002-EG,
10 20200003-GU, 20200004-GU and 20200007-EI. The
11 purpose of these hearings is set out more fully in
12 the notice.

13 CHAIRMAN CLARK: All right. Thank you, Ms.
14 Weisenfeld.

15 Let me just give kind of a quick overview of
16 what I think -- how I think things are going to go
17 today.

18 We had scheduled this for today, tomorrow and
19 Thursday. It looks like we are going to be able to
20 consolidate things pretty rapidly. We are not
21 going to try to rush anything through, but my plan
22 this morning is to get through the first -- the 02,
23 03, 04 and 07 dockets even prior to lunch today.

24 If the timing hits us right, we are going to
25 take a lunch break at 12 o'clock. We are going to

1 probably take about 45 minutes for lunch. Those of
2 you that are sitting at your kitchen table, it
3 should not be too difficult for you to grab a quick
4 sandwich, but the rest of us have got to go out and
5 scrape something up. So we are going to probably
6 take about 45 minutes for lunch. Then we will come
7 back, and if we don't get to the 01 prior to lunch,
8 we will take it up immediately after.

9 My anticipation, based on the number of
10 witnesses and what we have seen so far, is that we
11 are going to try to finish it up today. If it
12 doesn't look like it's going to push much past 5:00
13 p.m., we will stay and wrap everything up today.
14 If it does look like it's going to go quite a bit
15 further, then we certainly have tomorrow scheduled,
16 and we will reconvene tomorrow morning. Maybe we
17 can make a little bit better call on that issue
18 somewhere around 3:30 or four o'clock this
19 afternoon.

20 So with that said, we are going to take
21 appearances with all of the dockets to begin with.

22 Ms. Weisenfeld.

23 MS. WEISENFELD: There are five dockets to
24 address today. We suggest that all appearances be
25 taken at once.

1 All parties should enter their appearances and
2 declare the dockets that they are entering an
3 appearance for. Several parties will make
4 appearances, and after the parties make their
5 appearances, staff will need to make theirs.

6 CHAIRMAN CLARK: All right. Thank you.

7 All right. So we are going to take
8 appearances beginning with Florida Power & Light.
9 If you would, please state the docket that you are
10 going to be appearing in when you give your
11 appearance, please.

12 FPL.

13 MS. MONCADA: Good morning, Mr. Chairman. Can
14 you hear me?

15 CHAIRMAN CLARK: Yes, we can hear you.

16 MS. MONCADA: Wonderful.

17 Maria Moncada on behalf of Florida Power &
18 Light Company in the 01, 02 and 07 dockets. In
19 each of those dockets, I would like to also enter
20 an appearance for our general counsel, Wade
21 Litchfield. In the 01 and 07 dockets, I will also
22 enter an appearance for David Lee, and in the 02
23 docket, for Joel Baker.

24 Mr. Chairman, I am also here today on behalf
25 of Gulf Power Company in the 01 and the 07 dockets.

1 And in those two dockets, I would like to also
2 enter an appearance for Russell Badders.

3 Thank you.

4 CHAIRMAN CLARK: All right. Any other -- any
5 other appearances for Gulf Power?

6 MR. GRIFFIN: Yes, Mr. Chairman. Thank you.
7 Good morning, Commissioners.

8 This is Steven Griffin with the Beggs & Lane
9 law firm in Pensacola. I will be entering an
10 appearance for Gulf Power Company in the 02 docket,
11 and would also like to enter an appearance for
12 Russell Badders with Gulf Power Company in the 02
13 docket as well.

14 Thank you.

15 CHAIRMAN CLARK: All right. Thank you very
16 much.

17 Duke Energy, Mr. Bernier.

18 MR. BERNIER: Good morning, Mr. Chairman,
19 Commissioners. Matt Bernier from Duke Energy. I
20 will be appearing in the 01, 02 and 07 dockets. I
21 would also like to enter an appearance for Dianne
22 Triplett in the same dockets.

23 Thank you.

24 CHAIRMAN CLARK: Thank you very much.

25 TECO.

1 MR. MEANS: Good morning, Mr. Chairman,
2 Commissioners. This is Malcolm Means with the
3 Ausley McMullen law firm in Tallahassee. I would
4 also like to enter appearances for Jim Beasley and
5 Jeff Wahlen with the Ausley McMullen law firm. We
6 are appearing on behalf of Tampa Electric in the
7 02, 07 and 01 dockets.

8 Thank you.

9 CHAIRMAN CLARK: Thank you very much.
10 Florida Public Utilities, Ms. Keating.

11 MS. KEATING: Good morning, Mr. Chairman,
12 Commissioners. Beth Keating with the Gunster Law
13 Firm appearing today on behalf of FPUC in the 01,
14 02, 03 and 04 dockets. I will also be making an
15 appearance for Chesapeake and Sebring in the 04
16 docket, and I will also be appearing for Florida
17 City Gas in the 03 and 04 dockets. And in those
18 dockets, I would like to also enter appearance for
19 Greg Munson with the Gunster Law Firm, as well as
20 Chris Wright with FPL.

21 CHAIRMAN CLARK: All right. Thank you very
22 much.

23 That takes care of Florida City Gas and
24 Sebring Gas. Anybody else under those two?

25 All right moving to Peoples Gas.

1 MR. BROWN: Thank you, Mr. Chairman, Andy
2 Brown of the law firm of Macfarlane Ferguson &
3 McMullen. I am appearing on behalf of Peoples Gas
4 in the 03 and 04 dockets.

5 CHAIRMAN CLARK: All right. St. Joe Natural
6 Gas Company. They were requested to be excused?
7 Okay.

8 MS. WEISENFELD: They should be on the line.
9 They should be on the line. St. Joe should be on
10 the line, Mr. Chairman.

11 CHAIRMAN CLARK: Okay. Is there anyone from
12 St. Joe? Anyone from St. Joe? Stuart Shoaf?

13 All right. Move right along to the Office of
14 Public Counsel.

15 MS. FALL-FRYE: Good morning. A. Mireille
16 Fall-Fry. I will be appearing for the Office of
17 Public Counsel in the 02, 03, 04 and 07 dockets,
18 and also would like to enter an appearance for
19 Charles Rehwinkel and Stephanie Morse in the 01
20 docket, and J.R. Kelly in all of the dockets.

21 CHAIRMAN CLARK: All right. Thank you, Ms.
22 Fall-Fry.

23 FIPUG.

24 MS. PUTNAL: Good morning, Mr. Chairman,
25 Commissioners. Karen Putnal with the Moyle Law

1 Firm appearing on behalf of Florida Industrial
2 Power Users Group in the 01, 02 and 07 dockets.
3 And I would also like to enter an appearance for
4 Jon Moyle in all three.

5 CHAIRMAN CLARK: All right. Thank you, Ms.
6 Putnal.

7 PCS Phosphate.

8 MR. BREW: Good morning, Chairman and
9 Commissioners. For White Springs Agricultural
10 Chemicals, PCS Phosphate, with the law firm of
11 Stone Mattheis Xenopoulos & Brew, in the 01, 02 and
12 07 dockets, I am James Brew, and I would like to
13 note the appearance of Laura Baker and as well.

14 CHAIRMAN CLARK: All right. Great. Thank you
15 very much, Mr. Brew.

16 Commission staff.

17 MS. WEISENFELD: Ashley Weisenfeld in the 02
18 docket. I would also like to enter appearances for
19 Kurt Schrader in the 03, Gabriella Passidomo in the
20 04, Charles Murphy in the 07 and Suzanne Brownless
21 in the 01.

22 MS. HELTON: And finally, Mr. Chairman, Mary
23 Anne Helton is here as your Advisor today, as well
24 as for the other Commissioners, along with your
25 General Counsel, Keith Hetrick.

1 CHAIRMAN CLARK: Thank you, Ms. Helton.

2 Okay, let's move to preliminary matters, Ms.
3 Weisenfeld.

4 MS. WEISENFELD: State buildings are currently
5 closed to the public, and other restrictions on
6 gatherings remain in place due to COVID-19.
7 Accordingly, this hearing is being conducted
8 remotely with the parties participating by
9 communications media technology.

10 Members of the public who want to observe or
11 listen to this hearing may do so by accessing the
12 live video broadcast which is available from the
13 Commission website. Upon completion of the
14 hearing, the archived video will also be available.

15 Each person participating today needs to keep
16 their phone or device muted when they are not
17 speaking, and only unmute when they are called upon
18 to speak. If they do not keep their phone muted,
19 or put their phone on hold, they may be
20 disconnected from the proceeding and will need to
21 call back in.

22 Also, telephonic participants should speak
23 directly into their phone and not use their speaker
24 function.

25 CHAIRMAN CLARK: All right. Thank you, Ms.

1 Weisenfeld.

2 All right. The order of the dockets we are
3 going to take up today, we are going to begin with
4 the 02 docket, the 03, the 04 and the 07, and then
5 we will conclude the day with the 01 docket.

6 (Whereupon, other matters were held before the
7 Commission, and Docket No. 20200003-EI proceedings are
8 as follows:)

9 CHAIRMAN CLARK: All right. We will open the
10 03 docket up, and staff are there preliminary
11 matters that we need to address?

12 MR. SCHRADER: Yes, Mr. Chairman.

13 Staff will note that there are proposed Type 2
14 stipulations on all issues, with OPC taking no
15 position on all issues.

16 Stall will note that all witnesses have been
17 excused.

18 Staff will also note that the parties have
19 waived opening statements.

20 CHAIRMAN CLARK: All right. Thank you, Mr.
21 Schrader.

22 Let's address prefiled testimony.

23 MR. SCHRADER: Staff will ask that the
24 prefiled testimony of all witnesses identified in
25 Section VI of the Prehearing Order, which are pages

1 four and five, be inserted into the record as
2 though read.

3 (Whereupon, prefiled direct testimony of
4 Miguel Bustos was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA CITY GAS

DIRECT TESTIMONY OF MIGUEL BUSTOS

DOCKET NO. 20200003-GU

(2019 Final True-Up)

MAY 1, 2020

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

2 A. My name is Miguel Bustos. My business address is 4045 NW 97 Avenue, Doral,
3 Florida 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 of
6 Governmental & Community Affairs. I have been with the Company for
7 approximately 17 years.

8 **Q. What are your responsibilities as Manager of Governmental & Community
9 Affairs?**

10 A. I am responsible for managing FCG's Purchased Gas Adjustment clause, the
11 overall strategic design and management of the Company's energy efficiency
12 programs, as well as development of strategies of new business channels and
13 emerging technologies. I am also responsible for providing direction and
14 oversight for the Company's implementation of governmental and community
15 affairs. I have held these responsibilities since 2013.

16 **Q. Please describe your prior work experience and responsibilities.**

17 A. I began my career at FCG in 2003. I progressed through roles in operations,
18 budgeting, accounting, and business operations. Prior to joining FCG, I was a
19 corporate lead auditor in PricewaterhouseCoopers.

20 **Q. What is your educational background?**

21 A. I have a Bachelor of Science Degree in Accounting from the National Polytechnic
22 Institute (Mexico City) and completed MBA coursework from the University of
23 Americas.

- 1 **Q. Please explain the purpose of your testimony.**
- 2 A. The purpose of my testimony is to present FCG's final Purchased Gas
3 Adjustment ("PGA") final true-up amount for the period of January 1, 2019
4 through December 31, 2019.
- 5 **Q. Has the Company prepared the form prescribed by this Commission for
6 this purpose?**
- 7 A. Yes. Attached to my testimony as Exhibit MB-1 is Schedule A-7, which is the
8 PGA true-up reporting form supplied by the Commission Staff. This schedule
9 provides the total actual fuel cost for the period in question, the total actual fuel
10 revenues for that the period, and the resulting over or under-recovery amount.
- 11 **Q. What was the total gas cost incurred by the Company during the period of
12 January 1, 2019 through December 31, 2019?**
- 13 A. The total cost of gas for this period is \$20,565,777, as shown on Line 1 of Exhibit
14 MB-1.
- 15 **Q. What was the total amount of gas revenues recovered through the PGA
16 during the period of January 1, 2019 through December 31, 2019?**
- 17 A. The Company recovered a total of \$20,556,067 through the PGA as shown on
18 Line 2 of Exhibit MB-1.
- 19 **Q. What is the Company's actual over/under recovery amount for the period of
20 January 1, 2019 through December 31, 2019?**
- 21 A. The actual over/under recovery amount for this period, including margin sharing
22 (Line 1a), adjustments (Line 3a), and interest (Line 4), is an under-recovery of
23 \$4,954 as shown on Line 5 of Exhibit MB-1.

1 **Q. Is this amount net of the estimated true-up for the period January 1, 2019**
2 **through December 31, 2019 that was included in the PGA Factor being**
3 **charged for the period of January 2020 through December 2020 (“2020 PGA**
4 **Factor”)?**

5 A. No. As shown on Line 6 of Exhibit MB-1, there was an estimated under-recovery
6 of \$777,984 for the period January 1, 2019 through December 31, 2019 that was
7 included in the 2020 PGA Factor. The final true-up amount, net of the estimated
8 under-recovery included in the 2020 PGA Factor, is an over-recovery of
9 \$773,030, as shown on Line 7 of FCG Exhibit MB-1.

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

11 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA CITY GAS

DIRECT TESTIMONY OF MIGUEL BUSTOS

DOCKET NO. 20200003-GU

(2021 Purchased Gas Adjustment Factor)

AUGUST 7, 2020

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

2 A. My name is Miguel Bustos. My business address is 4045 NW 97 Avenue, Doral,
3 Florida 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 of
6 Governmental & Community Affairs. I have been with the Company for
7 approximately 17 years.

8 **Q. What are your responsibilities as Manager of Governmental & Community
9 Affairs?**

10 A. I am responsible for managing FCG's Purchased Gas Adjustment clause, the
11 overall strategic design and management of the Company's energy efficiency
12 programs, as well as development of strategies of new business channels and
13 emerging technologies. I am also responsible for providing direction and
14 oversight for the Company's implementation of governmental and community
15 affairs. I have held these responsibilities since 2013.

16 **Q. Please describe your prior work experience and responsibilities.**

17 A. I began my career at FCG in 2003. I progressed through roles in operations,
18 budgeting, accounting, and business operations. Prior to joining FCG, I was a
19 corporate lead auditor in PricewaterhouseCoopers.

20 **Q. What is your educational background?**

21 A. I have a Bachelor of Science Degree in Accounting from the National Polytechnic
22 Institute (Mexico City) and completed MBA coursework from the University of
23 Americas.

1 **Q. Please explain the purpose of your testimony.**

2 A. I submitting this testimony in support of FCG's request for Commission approval
3 of a Purchased Gas Adjustment ("PGA") Factor to be applied during the period of
4 January 1, 2021 through December 31, 2021 (the "Projection Period"). My
5 testimony will present the revised projected true-up for the current period January
6 1, 2020 through December 31, 2020 based on actual data for six months and
7 projected data for six months (the "Actual/Estimated True-Up"). I will then
8 present the development of the proposed maximum PGA Factor to be charged to
9 Sales Customers during the Projection Period.

10 **Q. Has the Company prepared the form prescribed by this Commission for
11 this purpose?**

12 A. Yes. Attached to my testimony as Exhibit MB-2 are Schedules E-1, E-1/R, and
13 E-2 through E-5, which are the forms prescribed by Commission Staff. These
14 schedules are used to calculate FCG's Actual/Estimated True-Up for the current
15 period and the maximum PGA Factor for the Projection Period.

16 **Q. Can you explain the method used by the Company to calculate its
17 projection of gas costs for the period January 2021 through December
18 2021?**

19 A. Yes. To calculate its projected gas costs, FCG applied the methodology adopted
20 by the Commission in Order No. PSC-1993-0708-FOF-GU issued on May 10,
21 1993, and modified in Docket No. 19980269-PU on May 19, 1993. Under this
22 methodology, natural gas companies are to project their gas costs each twelve
23 months for the subsequent twelve-month period ending in December. A per

1 therm rate is developed for the weighted average cost of gas ("WACOG") for the
2 projected twelve-month period. However, this rate, which is based on the
3 average of the winter and summer seasons, would lead to over or under-
4 recoveries of gas costs in the two seasons. This problem is mitigated by
5 establishing a maximum levelized PGA Factor, or cap, based on the Company's
6 expected winter cost of gas, thereby reducing the potential for large under-
7 recoveries in the winter season when natural gas supply prices are typically
8 higher. The Company is then able to flex the rate downward in the summer in
9 order to match market conditions and reduce the potential for large over-
10 recoveries in the summer season when natural gas supply prices are typically
11 lower.

12 **Q. What if the actual cost exceeds the maximum rate as projected?**

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

16 **Q. How are differences between the Company's estimated and actual gas
17 costs treated?**

18 A. The forms prescribed by the Commission take this into consideration. Form E-2
19 calculates the projected differences using estimated figures, and form E-4
20 calculates the final net true-up using actual figures. These under/over recoveries
21 are recovered from or credited to Sales Customers, as appropriate, through a
22 true-up factor included in PGA Factor billed in the subsequent twelve month
23 period.

1 **Q. Are any Florida Gas Transmission (“FGT”) rate changes projected in this**
2 **filing?**

3 A. No, the FGT rates used in the preparation of this filing are based on those in
4 effect on June 1, 2020.

5 **Q. Can you summarize the contents of the schedules submitted as part of this**
6 **filing?**

7 A. Yes. Schedule E-1 shows the Projection Period, January 2021 through
8 December 2021. For 2021, the Company projects the total gas purchases by
9 Sales Customers will be 39,302,190 therms (Schedule E-1, Line 27) at a total
10 cost of \$23,855,446 (Schedule E-1, Line 11) with a resulting WACOG of 60.697
11 cents per therm (Schedule E-1, Line 40) before the application of the true-up
12 factor and the regulatory assessment fee.

13
14 Schedule E-4 shows the final true-up of the revised estimated gas costs and the
15 actual gas costs for the prior period, January 2019 through December 2019,
16 which is an over-recovery of \$773,030 (Schedule E-4; Column 3, Line 4). This
17 The final true-up amount is net of interest, adjustments and the estimated under-
18 recovery included in the 2020 PGA Factor. I previously submitted direct
19 testimony and Exhibit MB-1 in support of the final PGA true-up amount for the
20 period January 2019 through December 2019.

21
22 The projected true-up for the current period January 2020 through December
23 2020, based on six months actual data and six months projected data, is an

1 under-recovery of \$1,568,073 (Schedule E-4, Column 4, line 4). The total net
 2 true-up is an under-recovery of \$795,043 (Schedule E-4, Column 5, Line 4),
 3 which results in a true-up factor of 2.023 cents per therm that would be applied
 4 during the Projection Period (Schedule E-1, Line 41).

5
 6 Applying the net true-up factor increases the WACOG for the Projection Period to
 7 62.720 cents per therm (Schedule E-1, Line 42) before the regulatory
 8 assessment fee. With the regulatory assessment fee added, the WACOG is
 9 63.036 cents per therm (Schedule E-1, Line 44) based on the average of the
 10 winter and summer seasons.

11 **Q. Does the WACOG described above provide a sufficient basis to set the**
 12 **PGA Factor for the projection period?**

13 A. No. As explained above, using a PGA Factor based on the average of the winter
 14 and summer seasons would lead to over or under-recoveries of gas costs in the
 15 two seasons. This problem is mitigated by establishing a maximum levelized
 16 PGA Factor, or cap, based on the Company's expected winter cost of gas, which
 17 may be flexed downward during the summer season. As shown on Schedule E-
 18 1 (winter), FCG's maximum levelized PGA Factor based on the Company's
 19 projected winter cost of gas is as follows:

20 Winter Average, per Therm

Total Cost (Line 11)	\$14,126,745
Total Therm Sales (Line 27)	\$20,481,137
(Line 11/ Line 27)	\$ 0.68974
True-up	\$ 0.02023

Before Regulatory Assessment	\$ 0.70997
Revenue Tax Factor	\$1.00503
Purchased Gas Factor	\$ 0.71354

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As shown above, the maximum levelized PGA Factor based on the Company's expected winter cost of gas is 70.997 cents per therm. With the regulatory assessment fee added, the maximum levelized PGA Factor is 71.354 cents per therm. If approved by the Commission, 71.354 cents per therm would be the maximum PGA Factor that FCG may charge its Sales Customers during the period January 2021 through December 2021.

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

9 A. Yes, it does.

1 (Whereupon, prefiled direct testimony of
2 Derrick M. Craig was inserted.)

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20200003-GU
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP**

**Direct Testimony of
Derrick Maurice Craig
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Derrick M. Craig, 208 Wildlight Avenue, Yulee, FL 32097.

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

4 A. I am employed by Florida Public Utilities Company as a Senior
5 Regulatory Analyst.

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

7 A. To advise the Commission of the actual over/under recovery of the
8 Purchased Gas Adjustment for the period January 1, 2019 through
9 December 31, 2019, as compared to the true-up amount previously
10 reported for that period which was based on six months actual and six
11 months estimated.

12 Q. Please state the actual amount of over/under recovery of the Purchased
13 Gas Adjustment for January 1, 2019 through December 31, 2019.

14 A. During January 2019 through December 2019, FPUC over-recovered
15 \$4,259,996.

1 Q. How does this amount compare with the estimated true-up amount, which
2 was allowed by the Commission during the November 2019 hearing?

3 A. As recognized in Order No. PSC-2019-0492-FOF-GU, in Docket No.
4 20190003-GU, FPUC had an anticipated over-recovery of \$3,375,203,
5 based 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 DMC-1, containing
8 Schedule A-7, Final PGA Over/Under Recovery for the Period January
9 2019 through December 2019.

10 Q. Does this conclude your testimony?

11 A. Yes.

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.

1 (Whereupon, prefiled direct testimony of
2 Jeffrey B. Bates was inserted.)

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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.

1 (Whereupon, prefiled direct testimony of Karen
2 L. Bramley was inserted.)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **KAREN L. BRAMLEY**

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

7
8 **A.** My name is Karen L. Bramley. My business address is 702
9 North 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 Gas
14 Regulatory Manager, in the Regulatory Affairs Department.

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

18
19 **A.** I graduated from the University of South Florida in 1990
20 with a Bachelor of Arts degree in Political Science and
21 from University of South Florida in 1993 with a Master's
22 degree in Public Administration. My work experience
23 includes twenty-four years of gas and electric utility
24 experience. My utility work has included various positions
25 in Legal, Customer Service, Fuels Management and

1 Regulatory. In my current position, I am responsible for
2 Peoples Gas System's Purchased Gas Adjustment ("PGA")
3 Clause and Natural Gas Conservation Cost Recovery ("NGCCR")
4 Clause.

5
6 **Q.** Have you previously testified before the Florida Public
7 Service Commission ("Commission")?

8
9 **A.** No.

10
11 **Q.** What is the purpose of your testimony in this docket?

12
13 **A.** The purpose of my testimony is to present and support for
14 Commission review and approval the company's actual PGA
15 true-up costs incurred during the January through
16 December 2019 period.

17
18 **Q.** Did you prepare any exhibits in support of your testimony?

19
20 **A.** Yes. I have caused to be prepared as Exhibit KLB-1,
21 entitled "People Gas System, January 2019 through
22 December 2019: Schedule A-7 - Final Fuel Over/Under
23 Recovery" schedule with respect to the final true-up for
24 the period.

25

1 **Q.** What was Peoples' cost of gas to be recovered through the
2 PGA clause for the period January 2019 through December
3 2019?

4
5 **A.** As shown on Exhibit A-7 in KLB-1, the cost of gas
6 purchased, adjusted for company use, was \$141,815,664.

7
8 **Q.** What was the amount of gas revenue collected for the
9 period January 2019 through December 2019?

10
11 **A.** The amount of gas revenue collected to cover the cost of
12 gas was \$151,826,149.

13
14 **Q.** What was the final true-up amount for the period January
15 2019 through December 2019

16
17 **A.** The final true-up amount for the period, including
18 interest and adjustments, is an over-recovery of
19 \$10,010,485.

20
21 **Q.** Is this amount net of the estimated true-up for the period
22 January 2019 through December 2019, which was included in
23 the January 2020 through December 2020 PGA factor
24 calculation?

25

1 **A.** No. The final true-up net of the estimated true-up for
2 the period January 2019 through December 2019 is an over-
3 recovery of \$3,844,600.

4
5 **Q.** Is this the final under-recovery amount to be included in
6 the January 2021 through December 2021 projection?

7
8 **A.** Yes.

9
10 **Q.** Does this conclude your testimony?

11
12 **A.** Yes, it does.

13

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **KAREN L. BRAMLEY**

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 Karen L. Bramley. My business address is 702
10 North Franklin Street, Tampa, Florida 33602. I am
11 employed by Peoples Gas System ("Peoples" or the
12 "Company") as the Gas Regulatory Manager.

13
14 **Q.** Please describe your educational and employment
15 background.

16
17 **A.** I graduated from the University of South Florida in 1990
18 with a Bachelor of Arts degree in Political Science and
19 from University of South Florida in 1993 with a Master's
20 degree in Public Administration. My work experience
21 includes twenty-four years of gas and electric utility
22 experience. My utility work has included various
23 positions in Legal, Customer Service, Fuels Management
24 and Regulatory. In my current position, I am responsible
25 for Peoples Gas System's Purchased Gas Adjustment ("PGA")

1 Clause and Natural Gas Conservation Cost Recovery
2 ("NGCCR") Clause as well as various other regulatory
3 activities for Peoples.
4

5 **Q.** What is the purpose of your testimony in this docket?
6

7 **A.** The purpose of my testimony is to describe generally the
8 components of Peoples' cost of purchased gas and
9 upstream pipeline capacity. In my testimony, I also
10 explain how Peoples' projected weighted average cost of
11 gas ("WACOG") for the January 2021 through December 2021
12 period was determined and the resulting requested
13 maximum PGA ("Cap").
14

15 **Q.** Please summarize your testimony.
16

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

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

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

24 3. Projections and assumptions used to estimate the
25 purchase price to be paid by Peoples for such gas

1 supplies.

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

5

6 **Q.** What is the appropriate final purchased gas adjustment
7 true-up amount for the period January 2019 through
8 December 2019?

9

10 **A.** The final PGA true-up amount for the year 2019 is an
11 over-recovery of \$3,844,599.

12

13 **Q.** What is the estimated purchased gas adjustment true-up
14 amount for the period January 2020 through December
15 2020?

16

17 **A.** As shown on Schedule E-4, the estimated PGA true-up
18 amount for 2020 is an under-recovery of \$2,556,956.

19

20 **Q.** What is the total purchased gas adjustment true-up
21 amount to be refunded during the period January 2021
22 through December 2021?

23

24 **A.** The total PGA true-up amount to be refunded in 2021 is
25 an over-recovery of \$1,287,643.

1 Q. Have you prepared or caused to be prepared certain
2 schedules for use in this proceeding?

3

4 A. Yes. Composite Exhibit KLB-2 was prepared by me or
5 under my supervision.

6

7 Q. Please describe how Peoples will obtain its gas supplies
8 during the projected period of January 2021 through
9 December 2021.

10

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

21

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

24

25 A. Peoples evaluates, selects, and utilizes sources of

1 natural gas supply based on its "best value" gas
2 acquisition strategy. For a source of supply to be
3 identified as a "best value," it must offer the best
4 combination of price, reliability of supply, and
5 flexibility, consistent with Peoples' obligation as a
6 public utility to provide safe, adequate and efficient
7 service to the general public. Through a competitive
8 bidding process, Peoples has a portfolio of supply
9 sources from numerous third-party suppliers that reflect
10 balance between cost, reliability, and operational
11 flexibility.

12
13 **Q.** Could Peoples purchase all third-party supplies in
14 advance for a long term at the lowest available fixed
15 price to provide increased stability to its cost of gas?
16

17 **A.** No. Peoples' quantity requirements for system supply
18 gas vary significantly from year to year, season to
19 season, month to month, and from day to day. The demand
20 for gas on the Peoples system can often vary
21 dramatically within a month from the lowest to the
22 highest requirement of its customers. The actual takes
23 of gas out of the Peoples system by transport customers
24 varies significantly from day to day. Since significant
25 portions of the total transportation volumes are

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

11
12 **Q.** How did Peoples estimate the amount of gas to be
13 purchased from various sources during the projected
14 period of January 2021 through December 2021?

15
16 **A.** Peoples' projected gas purchases are based on the
17 Company's preliminary total throughput of therms
18 delivered to customers projected for 2021, including
19 both sales of Peoples' system supply and transportation
20 deliveries of third-party gas purchased by end-users of
21 Peoples. The throughput was then adjusted for the
22 anticipated level of transportation service.

23
24 **Q.** How are revenues derived from Peoples' Swing Service
25 Charge accounted for through the PGA?

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

8
9 **Q.** How did you estimate the purchase price to be paid by
10 Peoples for each of its available sources of gas supply?

11
12 **A.** The price to be paid for natural gas is estimated based
13 on an evaluation of historical prices for gas delivered
14 to the FGT, Southern, and Gulfstream systems. For the
15 projection period of January 2021 through December 2021,
16 future prices for natural gas as traded on the New York
17 Mercantile Exchange, averaged over five consecutive
18 business days in July 2020, form the basis of the
19 natural gas price forecast. The price projection is then
20 adjusted to incorporate expected transportation costs
21 and location differences.

22
23 **Q.** Referring to Schedules E-3 (A) through (G) of Composite
24 Exhibit KLB-2, please explain the components of these
25 schedules and the assumptions that were made in

1 developing the Company's projections.

2

3 **A.** Schedule E-3, column (G) is a compilation of the annual
4 data that appears on Schedules E-3 (E) through (F) for
5 the year ending December 31, 2021. In Column (B), "FGT"
6 indicates that the volumes are to be purchased from
7 third party suppliers for delivery via FGT interstate
8 pipeline transportation. "SONAT" indicates that the
9 volumes are to be purchased from a third-party supplier
10 for delivery via Southern interstate pipeline
11 transportation. "GULFSTREAM" indicates that the volumes
12 are to be purchased from a third-party supplier for
13 delivery via Gulfstream interstate pipeline
14 transportation. "SEACOAST" indicates the volumes are to
15 be purchased from a third-party supplier for delivery
16 via SeaCoast intrastate pipeline transportation. "SABAL
17 TRAIL" indicates the volumes are to be purchased from a
18 third-party supplier for delivery via Sabal Trail
19 interstate pipeline transportation. "THIRD PARTY"
20 indicates that the volumes are to be purchased directly
21 from various third-party suppliers for delivery into
22 FGT, Southern, Gulfstream or Sabal Trail.

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, consist
16 of two components, a usage charge and a reservation
17 charge, and SeaCoast and Sabal Trail consists of one
18 component, a reservation charge. Individual
19 Transportation Service customers reimburse Peoples or
20 directly pay the upstream pipeline for all pipeline
21 reservation charges associated with the transportation
22 capacity that Peoples 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. Column (E) shows the annual quantity in
7 therms of gas purchased by Peoples for each category of
8 system supply.

9
10 Column (F) shows the gas purchased by end-users for
11 transportation. Column (G) is the total of Columns (E)
12 and (F) in each row. Columns (H), (I), (J) and (K) show
13 the corresponding third-party supplier commodity costs,
14 pipeline transportation commodity costs, pipeline
15 transportation reservation costs, and other charges
16 (e.g., balancing charges), respectively. These costs
17 are determined using the actual amounts paid by Peoples.
18 In the case of end-user transportation, these costs are
19 reimbursed to Peoples or paid directly to FGT. All ACA
20 and fuel charges are included in the commodity costs in
21 Column (I) and, therefore, are not shown in Column (K).
22 Column (L) in each row is the sum of Columns (H), (I),
23 (J) and (K) divided by Column (G).

24
25 **Q.** Please explain the components of these schedules and the

1 assumptions that were made in developing the Company's
2 projections.

3
4 **A.** Schedule E-1 shows the Cost of Gas Purchased, Therms
5 Purchased, and Cents per therm for all rate classes.

6
7 The costs associated with various categories or items
8 are shown on lines 1 through 14. Line 6 on Schedule E-1
9 includes legal expenses associated with various
10 interstate pipeline dockets such as tariff filings,
11 seasonal fuel filings and certification proceedings.
12 In addition, legal and consulting expenses have been
13 included because FGT is scheduled to file a rate
14 proceeding on February 1, 2021. Any rate increases
15 associated with this proceeding is anticipated to be
16 effective as of May 2021. These expenses have
17 historically been included for recovery through the
18 Purchased Gas Adjustment Clause. The volumes consumed
19 for similar categories or items are shown on lines 15
20 through 27, and the resulting effective cost per therm
21 rate for each similar category or item is contained on
22 lines 28 through 45. The data shown on Schedule E-1 is
23 calculated from Schedules E-3 (A) through (F) for the
24 year ending December 31, 2021.

25

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

3

4 A. Schedule E-1/R of Composite Exhibit KLB-2 shows six
5 months actual and six months estimated data for the
6 current period from January 2020 through December 2020
7 for all customer classes.

8

9 Q. What information is presented on Schedule E-2 of
10 Composite Exhibit KLB-2?

11

12 A. Schedule E-2 of Composite Exhibit KLB-2 shows the amount
13 of the prior period over/under recoveries of gas costs
14 that are included in the current PGA calculation.

15

16 Q. What is the purpose of Schedule E-4 of Composite Exhibit
17 KLB-2?

18

19 A. Schedule E-4 of Composite Exhibit KLB-2 simply shows the
20 calculation of the estimated true-up amount for the
21 January 2020 through December 2020 period. It is based
22 on actual data for six months and projected data for six
23 months.

24

25 Q. What information is contained on Schedule E-5 of

1 Composite Exhibit KLB-2?

2

3 **A.** Schedule E-5 of Composite Exhibit KLB-2 is statistical
4 data that includes the projected therm sales and numbers
5 of customers by customer class for the period from
6 January 2021 through December 2021.

7

8 **Q.** What is the appropriate cap factor for which Peoples
9 seeks approval?

10

11 **A.** The WACOG for which Peoples seeks approval as the annual
12 cap is a factor of \$1.03639 per therm as shown in
13 Schedule E-1. This annual cap will be applicable to all
14 rate classes.

15

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

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18 **A.** Yes, it does.

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1 (Whereupon, prefiled direct testimony of Andy
2 Shoaf was inserted.)

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2

3 In Re: Purchased Gas Recovery)
 4)
 _____)

Docket No. 20200003-GU
 Submitted for filing
 May 4, 2020

5

DIRECT TESTIMONY OF CHARLES A. SHOAF ON

6

BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.
 =====

7

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

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

13 Q. What is the purpose of your testimony?

14 A. My purpose is to discuss the final true-up for
 15 the period January 2019 through December 2019.

16 Exhibits

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

19 A. Yes. As Composite Exhibit CAS-1, I am sponsoring the
 20 following schedules with respect to the final
 21 true-up for period January 2019 through December 2019.

22 Schedule A-7 - Final Fuel Over/Under Recovery

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

25 A. Yes, it was.

Final True-Up January 2019 - December 2019

- 1
- 2 Q. What were the total therm sales for the period January
- 3 2019 through December 2019?
- 4 A. Total therm sales were 651,242 therms.
- 5 Q. What were total therm purchases for the period January
- 6 2019 through December 2019?
- 7 A. Total therm purchases were 678,351.
- 8 Q. What was the cost of gas to be recovered through the
- 9 PGA for the period January 2019 through December 2019?
- 10 A. The cost of gas purchased for January 2019 through
- 11 December 2019 was \$377,943.68.
- 12 Q. What was the amount of gas revenue collected for the
- 13 period January 2019 through December 2019?
- 14 A. The amount of gas revenue collected to cover the cost
- 15 of gas was \$456,689.
- 16 Q. What is the total true-up provision for the period
- 17 January 2019 through December 2019?
- 18 A. The total true-up provision, including interest, is an
- 19 over-recovery of \$80,888.86 for the period.
- 20 Q. What is the amount of estimated true-up included for
- 21 January 2019 thru December 2019 in the January 2020
- 22 through December 2020 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
- 24 thru December 2019 included in the January 2020 through
- 25 December 2020 PGA factor calculation was an over-

1 recovery of \$98,297.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2019 period to be included in the
4 January through December 2021 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2021 through December 2021
7 projections are \$17,408.14.

8 Q. Does this conclude your testimony?

9 A. Yes

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1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2021 through December 31, 2021?

3 A. 55.10 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 CHAIRMAN CLARK: All right. Next up is
2 exhibits.

3 MR. SCHRADER: Staff has compiled a
4 comprehensive exhibit list, which includes the
5 prefiled exhibits attached to the witnesses'
6 testimony in this case. The list has been provided
7 to the parties, the Commissioners and the court
8 reporter. The parties agree to include all
9 exhibits on the comprehensive exhibit list in the
10 record. Staff requests that this list be marked as
11 the first hearing exhibit, and that the other
12 exhibits be marked as set forth in that list.

13 CHAIRMAN CLARK: All right. The exhibits are
14 so marked.

15 (Whereupon, Exhibit Nos. 1-23 marked for
16 identification.)

17 MR. SCHRADER: Staff requests that the
18 Comprehensive Exhibit List, marked as Exhibit No.
19 1, be entered into the record.

20 CHAIRMAN CLARK: So ordered.

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

23 MR. SCHRADER: Staff requests to move Exhibits
24 2 through 23 into the record as set forth.

25 CHAIRMAN CLARK: Without objection, so ordered

1 received receive.

2 (Whereupon Exhibit Nos. 2-23 were received
3 into evidence.)

4 CHAIRMAN CLARK: All right. Let's move to the
5 stipulated issues.

6 MR. SCHRADER: Because the parties have
7 reached Type 2 stipulations, with OPC not objecting
8 to the Commission considering the stipulations on
9 all issues in the case, staff suggests that the
10 Commission could make a bench decision at this
11 time.

12 If the Commission decides a bench decision is
13 appropriate, staff recommends that the proposed
14 Type 2 stipulations on pages eight and nine of the
15 prehearing order, which are Issues 1 through 7, be
16 approved by the Commission.

17 CHAIRMAN CLARK: All right. This is the time
18 for Commissioners to ask any questions they have.
19 Anyone have any questions? No questions.

20 All right. Is there a motion regarding the
21 Type 2 stipulations?

22 COMMISSIONER FAY: Mr. Chairman, I would move
23 for approval of all Type 2 stipulations, Issues 1
24 through 7 on the 03 docket.

25 COMMISSIONER POLMANN: Second.

1 CHAIRMAN CLARK: We have a motion and a second
2 to approve all Type 2 stipulations.

3 Any discussion?

4 On the motion, all in favor say aye.

5 (Chorus of ayes.)

6 CHAIRMAN CLARK: Opposed?

7 (No response.)

8 CHAIRMAN CLARK: Motion carries unanimously.

9 All right. Are there any matters to conclude
10 in the 03 docket?

11 MR. SCHRADER: No, Mr. Chairman. Since the
12 Commission has made a bench decision today, post
13 hearing filings are not necessary. The final order
14 will be issued by November 23rd, 2020.

15 CHAIRMAN CLARK: All right. Any of the
16 parties have any additional matters that need to be
17 addressed in the 03 docket? Anyone?

18 All right. That concludes the 03 docket.

19 (Proceedings 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 9th day of November, 2020.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024