

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 040003-GU  
DETERMINATION OF PURCHASED  
GAS/COST RECOVERY FACTOR

Direct Testimony of  
Marc L. Schneidermann  
on Behalf of  
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Marc L. Schneidermann, 401 South Dixie Highway, West  
3 Palm Beach, FL 33402.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company  
6 (FPU) as the Director, South Florida.
- 7 Q. How long have you been employed by FPU?
- 8 A. Since February 1989.
- 9 Q. Have you previously testified before this Commission?
- 10 A. Yes, I testified in each of the Company's Purchased  
11 Gas Cost Recovery Dockets dating back to Docket Number  
12 910003-GU, as well as Docket Numbers 940620-GU and  
13 900151-GU, the Company's last two (2) filings for rate  
14 relief for its gas operations.
- 15 Q. What are the subject matters of your testimony in this  
16 proceeding?
- 17 A. My testimony will relate to three (3) specific  
18 matters: forecasts of gas sales, forecasts of the pipeline

1 charges and the forecast of commodity costs of natural gas  
2 to be purchased by the Company.

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

4 A. The projection period starts on January 1 of next year  
5 and ends on December 31 of the same year.

6 Q. Please generally describe how the forecasts of gas  
7 sales were developed for the projection period.

8 A. Florida Public Utilities developed its gas sales  
9 projections based on a study period beginning with  
10 January 1997 and ending June of this year. The  
11 Company compiled a database, sorted by rate  
12 classifications, which consisted of the historical  
13 monthly customer consumption and the historical  
14 monthly customer counts experienced during the study  
15 period. Detailed analyses were performed on the  
16 database. From these data, projections of customer  
17 counts were constructed by applying the historical  
18 average monthly rates of customer growth to this  
19 June's actual customer count. We set this June as a  
20 pivot point to ensure consistency between this filing  
21 and the Company's budget preparation procedures. The  
22 historical average monthly consumption per customer,  
23 by rate classification, was computed as part of this  
24 study. The product of the projected monthly customer  
25 count and historical average monthly consumption, by

1 rate classification, yielded the Company's projection  
2 of gas requirements. Adjustments were made by the  
3 Company's Marketing Department for variations in  
4 growth which were not adequately represented by  
5 historical trends. Gas requirements for company use  
6 were based on historical factors developed by the  
7 Company's Accounting Department. These projections  
8 were compiled and sorted to determine the total  
9 projected sales to the traditional non-transportation  
10 firm and the interruptible classes of customers for  
11 the twelve-month period of this filing.

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

15 A. The purchases for the gas cost projection model were  
16 based on using Marketing's projection of sales to  
17 bundled and unbundled customers. Florida Gas  
18 Transmission Company's (FGT) FTS-1, FTS-2, NNTS-1 and  
19 ITS-1 effective charges (including surcharges) and  
20 fuel rates, at the time the projections were made,  
21 were used for the entire projection period. The  
22 expected cost of natural gas purchased by FPU and  
23 delivered to FGT, for transportation to the Company  
24 and for FGT's fuel use factor, during the projection  
25 period was developed using the highest monthly New

1 York Mercantile Exchange (NYMEX) natural gas futures  
2 closing prices for like months since June 1992, which  
3 we then inflated due to the pricing volatility. The  
4 forecasts of the commodity cost of gas also takes into  
5 account the average basis differential between the  
6 NYMEX projections and historic cash markets as well as  
7 premiums and discounts, by zone, for term gas  
8 supplies.

9 Q. Please describe how the forecasts of the weighted  
10 average costs of gas were developed for the projection  
11 period.

12 A. FPU's sales to traditional non-transportation firm and  
13 interruptible customers were allocated all of the  
14 monthly pipeline demand costs, less the cost of  
15 capacity temporarily relinquished to pool managers for  
16 the accounts of unbundled customers, and were  
17 allocated all of the relevant projected pipeline and  
18 supplier commodity costs. The sum of these costs were  
19 divided by the projected sales level to said customers  
20 resulting in the projected weighted average cost of  
21 gas for traditional non-transportation firm customers  
22 and interruptible customers and ultimately the  
23 Purchased Gas Cost Recovery Factor (PGCRF) shown on  
24 Schedule E-1. Capacity shortfalls, if any, would be  
25 satisfied with the most economic dispatch combination

1       of acquired capacity relinquished by another FGT  
2       shipper and/or gas and capacity repackaged and  
3       delivered by another FGT capacity holder. Obviously,  
4       if other services become available and it is more  
5       economic to dispatch supplies under those services,  
6       the Company will utilize those services as part of its  
7       portfolio.

8   Q.   Does this conclude your prepared direct testimony?

9   A.   Yes.