

1 APPEARANCES:

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

6 J.R. KELLY, PATRICIA A. CHRISTENSEN, and
7 CHARLES REHWINKEL, ESQUIRES, Office of Public Counsel,
8 c/o The Florida Legislature, 111 West Madison Street,
9 Room 812, Tallahassee, Florida 32399-1400, appearing on
10 behalf of the Citizens of Florida.

11 KEINO YOUNG and KYESHA MAPP, ESQUIRES, FPSC
12 General Counsel's Office, 2540 Shumard Oak Boulevard,
13 Tallahassee, Florida 32399-0850, appearing on behalf of
14 the Florida Public Service Commission Staff.

15 CURT KISER, GENERAL COUNSEL, and MARY ANNE
16 HELTON, DEPUTY GENERAL COUNSEL, ESQUIRES, Florida Public
17 Service Commission, 2540 Shumard Oak Boulevard,
18 Tallahassee, Florida 32399-0850, Advisors to the Florida
19 Public Service Commission.

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WITNESSES

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NAME:	PAGE NO.
THOMAS KAUFMANN Prefiled Testimony Inserted	10
KANDI M. FLOYD Prefiled Testimony Inserted	23
ANDY SHOAF Prefiled Testimony Inserted	42
MICHELLE NAPIER Prefiled Testimony Inserted	47

EXHIBITS

1
2
3
4
5
6
7
8
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10
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1 through 14 (as identified in the
Comprehensive Exhibit List)

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P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Okay. Now I think it's time
3 to convene the 2014 clause hearing. If I can get the
4 staff to read the order.

5 **MS. TAN:** By notice issued September 17th,
6 2014, this time and place is set for a hearing
7 conference in the following dockets: 140001-EI,
8 140002-EG, 140003-GU, 140004-GU, and 140007-EI. The
9 purpose of the hearing conference is set out in the
10 notice.

11 **CHAIRMAN GRAHAM:** Okay. Let's take
12 appearances.

13 **MR. BUTLER:** Good morning, Mr. Chairman. John
14 Butler and Ken Rubin appearing on behalf of FPL in the
15 02 docket, and John Butler and Maria Moncada appearing
16 on behalf of FPL in the 01 and 07 dockets. Thank you.

17 **MS. DANIELS:** Good morning, Chairman. Ashley
18 Daniels appearing with James Beasley and Jeffry Wahlen
19 with Ausley McMullen appearing on behalf of Tampa
20 Electric Company in the 01, 02, and 07 dockets. Thank
21 you.

22 **MR. BERNIER:** Good morning, Commissioners.
23 Matt Bernier with Duke Energy appearing in the 01, 02,
24 and 07 dockets, along with John Burnett and Dianne
25 Triplett. I'd also like to enter an appearance for Gary

1 Perko in the 07 docket. Thank you.

2 **MR. BADDERS:** Good morning, Chairman. Russell
3 Badders on behalf of Gulf Power Company. I'd like to
4 enter an appearance for myself, Jeffrey A. Stone, Steven
5 R. Griffin in the 01, 02, and 07 dockets.

6 **MR. CAVROS:** Good morning, Commissioners.
7 George Cavros on behalf of the Southern Alliance for
8 Clean Energy. I'll be representing the organization in
9 the 02 and the 07 dockets.

10 **MS. KAUFMAN:** Good morning, Commissioners.
11 Vicki Gordon Kaufman and Jon Moyle of the Moyle Law Firm
12 on behalf of the Florida Industrial Power Users Group in
13 the 01, 02, and 07 dockets.

14 **MS. KEATING:** Good morning, Commissioners.
15 Beth Keating with the Gunster Law Firm here today for
16 FPU in the 01 and 02 dockets, for FPU and Florida City
17 Gas in the 03 docket, and for FPU, Indiantown, Fort
18 Meade, Florida City Gas, and Chesapeake in the
19 04 docket.

20 **MR. WRIGHT:** Good morning, Commissioners.
21 Robert Scheffel Wright and John T. LaVia, III, of the
22 Gardner, Bist, Weiner Law Firm in the 01 fuel cost
23 recovery docket. We're appearing on behalf of the
24 Florida Retail Federation. In the 02 docket we're
25 appearing on behalf of Walmart Stores East and Sam's

1 East, LP. Thank you.

2 **MR. REHWINKEL:** Good morning, Commissioners.
3 Charles Rehwinkel, Patty Christensen, and J. R. Kelly
4 with the Office of Public Counsel on behalf of the
5 people of the State of Florida in all dockets.

6 **MS. TAN:** Martha Barrera for the 01 docket,
7 Lee Eng Tan for the 02 docket, Kyesha Mapp and Keino
8 Young for the 03 docket, Kelley Corbari for the
9 04 docket, and Charlie Murphy for staff on the 07
10 docket.

11 **MS. HELTON:** And I'm Mary Anne Helton. I'm
12 here as your advisor on all the dockets. And I'd also
13 like to enter an appearance for your General Counsel,
14 Curt Kiser.

15 **CHAIRMAN GRAHAM:** Okay. So those five dockets
16 that we're going to address today, staff, I take it
17 we're taking in the order of docket 02, then 03, then
18 04, then 01, then 07, in that order?

19 **MS. TAN:** That is correct. And, Chairman, I'd
20 also like to note that the following parties have been
21 excused from attending the hearing: St. Joe Natural Gas
22 Company in the 03 and the 04 docket, Peoples Gas System
23 in the 03 and the 04 docket, Sebring Gas System in the
24 04 docket, and PCS Phosphate/White Springs in the 01,
25 02, and 07 dockets.

1 **CHAIRMAN GRAHAM:** Okay. Well, if there's
2 nothing else, then I guess we move to the individual
3 dockets.

4 **MS. TAN:** That is correct.

5 * * * * *

6 **CHAIRMAN GRAHAM:** And we will move on to
7 Docket Number 140003-GU. We'll open that docket.

8 Staff, are there any preliminary matters?

9 **MS. MAPP:** Yes, Mr. Chairman. Staff would
10 note that St. Joe Natural Gas Company and Peoples Gas
11 System have been excused from this hearing this morning.

12 In addition, staff would note that there are
13 proposed stipulations on all issues with OPC taking no
14 position, and all witnesses have been excused and the
15 parties have waived opening statements.

16 If the Commission so chooses, a bench decision
17 may be made in this hearing on Issues 1 through
18 5 located on pages 5 and 6 of the Prehearing Order.

19 **CHAIRMAN GRAHAM:** Commissioners, any questions
20 of staff on any of these issues? Seeing none, can I get
21 a motion, please?

22 **COMMISSIONER BROWN:** Mr. Chairman, I would
23 move to approve the proposed stipulations of Issues
24 1 through 5 in the Prehearing Order.

25 **COMMISSIONER EDGAR:** Second.

1 **CHAIRMAN GRAHAM:** It's been moved and
2 seconded, approval of all issues. Any further
3 discussion?

4 Seeing none, all in favor, say aye.

5 (Vote taken.)

6 Any opposed? By your actions, you've approved
7 all issues on this docket.

8 Okay. Once again, I guess we have to enter
9 the prefiled direct testimony into the record?

10 **MS. MAPP:** Yes, Mr. Chairman. We would ask
11 that the prefiled testimony of all witnesses located on
12 page 4, Section VI of the Prehearing Order be entered
13 into the record as though read.

14 **CHAIRMAN GRAHAM:** We will enter all those
15 prefiled direct testimonies into the record as though
16 read.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS KAUFMANN

ON BEHALF OF FLORIDA CITY GAS

(Final True-Up)

DOCKET NO. 140003-GU

1

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

3 A. My name is Thomas Kaufmann. My business address is
4 Elizabethtown Gas, 300 Connell Drive, Suite 3000, Berkeley
5 Heights, New Jersey 07922.

6

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

8 A. I am currently employed as a Manager of Rates and Tariffs and
9 have responsibilities for Pivotal Utility Holdings, Inc's., Florida
10 operating division d/b/a Florida City Gas ("City Gas" or "the
11 Company").

12

13 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND
14 EMPLOYMENT EXPERIENCE.**

15 A. In June 1977, I graduated from Rutgers University, Newark with
16 a Bachelor of Arts degree in Business Administration, majoring in
17 accounting and economics. In July 1979, I graduated from

Docket No. 140003-GU
Florida City Gas – Kaufmann

1 Fairleigh Dickinson University, Madison with a Masters of
2 Business Administration, majoring in finance. My professional
3 responsibilities have encompassed financial analysis,
4 accounting, planning, and pricing in manufacturing and energy
5 services companies in both regulated and deregulated
6 industries. In 1977, I was employed by Allied Chemical Corp. as
7 a staff accountant. In 1980, I was employed by Celanese Corp.
8 as a financial analyst. In 1981, I was employed by Suburban
9 Propane as a Strategic Planning Analyst, promoted to Manager
10 of Rates and Pricing in 1986 and to Director of Acquisitions and
11 Business Analysis in 1990. In 1993, I was employed by
12 Concurrent Computer as a Manager, Pricing Administration. In
13 1996 I joined Pivotal Utility Holdings, Inc's., (formerly known as
14 NUI Utilities Inc.) as a Rate Analyst, was promoted to Manager
15 of Regulatory Support in August, 1997 and Manager of
16 Regulatory Affairs in February, 1998, and named Manager of
17 Rates and Tariffs in July 1998.

18

19 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to present the comparison of
21 Actual versus Original estimate of the purchased gas adjustment
22 cost recovery factor and true-up provision for the period January,
23 2013 through December, 2013 for City Gas.

Docket No. 140003-GU
Florida City Gas – Kaufmann

1

2 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED**
3 **BY THIS COMMISSION FOR THIS PURPOSE?**

4 A. Yes. The Company has prepared the form prescribed by the
5 Commission attached as Schedule A-7, and identified as Exhibit
6 ____ (TK-1).

7

8 **Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS**
9 **THE ACTUAL GAS COSTS ASSOCIATED WITH THE GAS**
10 **ADJUSTMENT COST RECOVERY FACTOR?**

11 A. Yes. City Gas prepared Schedule A-7, attached, which
12 describes the total fuel cost for the period in question, recovery
13 of such cost from ratepayers through the Purchased Gas
14 Adjustment (PGA) Cost Recovery Factor, and remaining over or
15 under-recovery of gas cost.

16

17 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**
18 **COMPANY DURING THE TWELVE MONTHS ENDED**
19 **DECEMBER 31, 2013?**

20 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
21 twelve months ended December 31, 2013 is \$25,910,274.

22

Docket No. 140003-GU
Florida City Gas – Kaufmann

1 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
2 **RECOVERED BY THE COMPANY DURING THE TWELVE**
3 **MONTHS ENDED DECEMBER 31, 2013?**

4 A. The Company recovered \$24,815,038 from customer billings
5 plus an additional \$1,113,307 from margin sharing credits.
6

7 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
8 **TWELVE MONTHS ENDED DECEMBER 31, 2013?**

9 A. The actual true-up amount, including adjustments, margin
10 sharing and interest, is an over-recovery of \$19,210.
11

12 **Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT**
13 **AMOUNT?**

14 A. Yes. As shown on Schedule A-7, the total fuel cost for the
15 period is \$25,910,274 and the total fuel revenues are
16 \$24,815,038. The difference between the fuel cost and fuel
17 recoveries is an under-recovery of \$1,095,236. This under-
18 recovery was offset by an adjustment of \$1,113,307 for margin
19 sharing, and an interest provision, during the period, of \$1,139.
20 The sum of these is an over-recovery of \$19,210.
21

Docket No. 140003-GU
Florida City Gas – Kaufmann

1 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
2 **JANUARY 2013 THROUGH DECEMBER 2013 PERIOD TO BE**
3 **INCLUDED IN THE 2014 PROJECTION?**

4 A. The final true-up amount for the period of January 2013 through
5 December 2013 to be included in the 2014 projection is an over-
6 recovery \$1,332,078. This is the difference between the
7 estimated under-recovery of \$1,312,868 that is included in the
8 current cost recovery factor being collected during 2014 and the
9 actual over-recovery of \$19,210.

10

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

12 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DIRECT TESTIMONY OF

3 THOMAS KAUFMANN

4 ON BEHALF OF FLORIDA CITY GAS

5 DOCKET NO. 140003-GU

6

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

8 A. My name is Thomas Kaufmann. My business address is Elizabethtown
9 Gas, 300 Connell Drive, Suite 3000, Berkeley Heights, NJ 07922.

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

11 A. I am currently employed as a Manager of Rates and Tariffs and have
12 responsibilities for Florida City Gas ("City Gas" or "the Company").

13 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
14 **EMPLOYMENT EXPERIENCE.**

15 A. In June 1977, I graduated from Rutgers University, Newark, N.J.,
16 with a Bachelor of Arts degree in Business Administration, majoring
17 in accounting and economics. In July 1979, I graduated from
18 Fairleigh Dickinson University, Madison, N.J., with a Masters of
19 Business Administration, majoring in finance. My professional
20 responsibilities have encompassed financial analysis, accounting,
21 planning, and pricing in manufacturing and energy services
22 companies in both regulated and deregulated industries. In 1977, I
23 was employed by Allied Chemical Corp. as a staff accountant. In
24 1980, I was employed by Celanese Corp. as a financial analyst. In

Docket No. 140003-GU
August 22, 2014

1 1981, I was employed by Suburban Propane as a Strategic Planning
2 Analyst, promoted to Manager of Rates and Pricing in 1986 and to
3 Director of Acquisitions and Business Analysis in 1990. In 1993, I
4 was employed by Concurrent Computer as a Manager, Pricing
5 Administration. In 1996 I joined NUI as a Rate Analyst, was
6 promoted to Manager of Regulatory Support in August, 1997 and
7 Manager of Regulatory Affairs in February, 1998, and named
8 Manager of Rates and Tariffs in July 1998.

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

10 A. The purpose of my testimony is to present the revised estimate of
11 the Company's projection of gas costs for the period August 2014
12 through December 2014 and the Company's projection of gas costs
13 for the period January 2015 through December 2015. In addition I
14 will present the development of the maximum rate to be charged to
15 customers for the period January 2015 through December 2015.

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

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

20

21

Docket No. 140003-GU
August 22, 2014

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

2 A. Yes. Under this methodology, which was adopted by Order No.
3 PSC-93-0708-FOF-GU of this Commission on May 10, 1993 and
4 modified in Docket No. 980269-PU on June 10, 1998, gas
5 companies are to project their gas costs each twelve months for the
6 ensuing twelve month period ending in December. A per therm rate
7 is developed for the weighted average cost of gas (WACOG). This
8 rate, based on the average of the winter and summer seasons,
9 would lead to over or under-recoveries of gas costs in the two
10 seasons. This problem is mitigated by establishing a maximum
11 levelized purchased gas factor based on the Company's expected
12 winter cost of gas, thereby eliminating a large under-recovery in that
13 season. The Company is then able to flex downward in the summer
14 in order to match market conditions and eliminate the potential for a
15 large over-recovery for the remainder of the period.

16 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**
17 **AS PROJECTED?**

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

21

Docket No. 140003-GU
August 22, 2014

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

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

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

10 A. No, the FGT rates used in the preparation of this filing are those in
11 effect on August 1, 2014.

12 **Q. DOES THIS YEAR'S FILING REFLECT ANY CAPACITY COSTS NOT**
13 **CONTAINED IN LAST YEAR'S CAP RATE?**

14 A. Yes. in preparing this year's forecast the Company is projecting
15 additional Florida Gas Transmission ("FGT") capacity beginning March
16 1, 2015 for a period of ten (10) years consisting of 2,807 dekatherms
17 per day during the winter months of October through March and 2,577
18 dekatherms per day during the summer months of April through
19 September at a cost of \$706,000 per year at max FTS-2 Tariff Rates.

20 **Q. ARE THE COSTS ASSOCIATED WITH THE ADDITIONAL**
21 **CAPACITY APPROPRIATE FOR RECOVERY THROUGH THE PGA?**

22 A. Yes. In order to expand City Gas's facilities to get natural gas service
23 to customers in the underserved portions of our system in of Indian

Docket No. 140003-GU
August 22, 2014

1 River County, it is necessary to obtain this additional pipeline capacity.
2 The Commission has traditionally allowed recovery of such
3 transportation costs through the PGA clause, as long as they are
4 reasonable and are not already being recovered through the
5 Company's base rates. These costs were not included in the Projected
6 Test Year of the Company's last rate case, and therefore, are not
7 already being recovered in base rates. Moreover, the Commission has
8 recently acknowledged that transportation costs associated with a
9 similar project are appropriate for recovery through the PGA in Docket
10 No. 110271-GU, Order No. PSC-12-0230-PAA-GU (page 6).

11 **Q. WHAT BENEFITS WILL OTHER CUSTOMERS ON CITY GAS'S**
12 **NATURAL GAS SYSTEM OBTAIN FROM THE ADDITIONAL INDIAN**
13 **RIVER CUSTOMERS?**

14 A. All customers receive benefits when system expansions occur, primarily
15 through the allocation of fixed system costs to a larger customer base.
16 The Company anticipates growth in this area as we begin to serve
17 communities that do not have gas or need increased capacity. The
18 Company also believes that the added benefits of reinforced supply for
19 the Company's Vero Beach service territory will allow the Company to
20 expand service and service offerings in that area.

21 **Q. HAVE THESE ADDITIONAL COSTS BEEN INCLUDED IN THE PGA**
22 **CAP RATE FOR 2015?**

Docket No. 140003-GU
August 22, 2014

1 A. Yes. The proposed Winter Cap rate contains four months of the
2 additional FTC capacity cost based on the anticipated contract start
3 date of March 1, 2015.

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

6 A. Yes. Schedule E-1 shows the projected period, January 2015
7 through December 2015. For 2015, the Company estimates the gas
8 purchases for resale will be 43,354,889 therms (Line 15) at a total
9 cost of \$34,238,082 (Line 11) with a resulting WACOG of 78.972
10 cents per therm (Line 40) before the application of the true-up factor
11 and the regulatory assessment fee. Schedule E-4 shows the
12 difference between the estimated actual and actual true-up for the
13 prior period, January 2013 through December 2013, is an over-
14 recovery of \$1,332,078 (Column 3, Line 4). The projected true-up
15 for the current period, January 2014 through December 2014, is an
16 under-recovery of \$1,069,341 (Column 4, line 4). The total true-up
17 as shown on Schedule E-4 is an over-recovery of \$262,737 for a
18 credit true-up recovery factor of 00.606 cents per therm that would
19 be applied during the projected period (Schedule E-1, Line 41). This
20 true-up factor decreases the gas cost factor during the projected
21 period to 78.366 cents per therm (Line 42) before the regulatory
22 assessment fee. With the regulatory assessment fee added, the

Docket No. 140003-GU
August 22, 2014

1 PGA factor is 78.760 cents per therm (Line 44) based on the
2 average of the winter and summer seasons.

3 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
4 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
5 **THE PGA CAP IN 2015?**

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

9
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12

Winter Average, per Therm

Total Cost (Line 11)	\$21,151,481
Total Therm Sales (Line 27)	23,914,182
(Line 11/ Line 27)	\$0.88447
True-up	(\$0.00606)
Before Regulatory Assessment	\$0.87841
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$0.88283

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As shown above, the maximum levelized purchased gas factor based on the Company's expected winter cost of gas is 87.841 cents per therm before the regulatory assessment fee and 88.283 cents per therm after the regulatory assessment fee. If approved by the Commission, 88.283 cents per therm would be the maximum

Docket No. 140003-GU
August 22, 2014

1 gas cost factor that City Gas may charge its customers for the
2 period January 2015 through December 2015.

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

4 **A.** Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **KANDI M. FLOYD**5
6 **Q.** Please state your name and business address.7
8 **A.** My name is Kandi M. Floyd. My business address is 702
9 N. 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
14 Manager of State Regulatory, having held that position
15 since 2003.16
17 **Q.** Please summarize your educational background and
18 professional qualifications.19
20 **A.** I hold a B.A. in Business Administration from Saint Leo
21 University. From 1995 to 1997, I worked in a series of
22 positions within the Regulatory Affairs Department of
23 Tampa Electric Company. In 1998, I joined Peoples as a
24 Regulatory Coordinator in the Regulatory and Gas Supply
25 Department. In 2001, I became Peoples' Energy

1 Conservation/Regulatory Coordinator, and held that
2 position until assuming my current position in 2003.

3

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

6

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

11

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

14

15 **A.** Yes. As Composite Exhibit KMF-1, preparation of the
16 following schedule with respect to the final true-up for
17 the period January 2013 through December 2013: A-7 -
18 Final Fuel Over/Under Recovery.

19

20 **Q.** What was Peoples' cost of gas to be recovered through
21 the PGA clause for the period January 2013 through
22 December 2013?

23

24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
25 purchased, adjusted for company use, was \$141,042,136.

1 Q. What was the amount of gas revenue collected for the
2 period January 2013 through December 2013?

3

4 A. The amount of gas revenue collected to cover the cost of
5 gas was \$137,487,939.

6

7 Q. What was the final true-up amount for the period January
8 2013 through December 2013?

9

10 A. The final true-up amount for the period, including
11 interest and adjustments, is an under-recovery of
12 \$3,436,873.

13

14 Q. Is this amount net of the estimated true-up for the
15 period January 2013 through December 2013, which was
16 included in the January 2014 through December 2014 PGA
17 factor calculation?

18

19 A. No. The final true-up net of the estimated true-up for
20 the period January 2013 through December 2013 is an
21 under-recovery of \$3,036,213.

22

23 Q. Is this the final under-recovery amount to be included
24 in the January 2015 through December 2015 projection?

25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **KANDI M. FLOYD**

5
6 **Q.** Please state your name, business address, by whom you
7 are employed, and in what capacity?

8
9 **A.** My name is Kandi M. Floyd. My business address is
10 Peoples Gas System, 702 North Franklin Street, P.O. Box
11 2562, Tampa, Florida 33601-2562. I am employed by
12 Peoples Gas System ("Peoples" or the "Company") and am
13 the Manager of State Regulatory.

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

17
18 **A.** I have a Bachelor of Arts Degree in Business
19 Administration from Saint Leo University. From 1995 to
20 1997, I was employed in a series of positions within the
21 regulatory affairs department of Tampa Electric Company.
22 In 1998, I joined Peoples Gas System as a Regulatory
23 Coordinator in the Regulatory and Gas Supply Department.
24 In 2001, I became the Energy Conservation / Regulatory
25 Administrator and in 2003 became the Manager of State

1 Regulatory for Peoples Gas System. In this role, I am
2 responsible for managing the Purchased Gas Adjustment
3 ("PGA") and Energy Conservation Cost Recovery filings as
4 well as various regulatory activities for Peoples.

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

7
8 **A.** The purpose of my testimony is to describe generally the
9 components of Peoples' cost of purchased gas and
10 upstream pipeline capacity. In my testimony, I also
11 explain how Peoples' projected weighted average cost of
12 gas ("WACOG") for the January 2015 through December 2015
13 period was determined and the resulting requested
14 maximum PGA ("Cap").

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

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

- 19
20 1. How Peoples will obtain its gas supplies during the
21 projected period.
22 2. Estimates and adjustments used to determine the
23 amount of gas to be purchased from Peoples' various
24 available sources of supply during the projected period.
25 3. Projections and assumptions used to estimate the

1 purchase price to be paid by Peoples for such gas
2 supplies.

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

6

7 **Q.** What is the appropriate final purchased gas adjustment
8 true-up amount for the period January 2013 through
9 December 2013?

10

11 **A.** The final PGA true-up amount for the year 2013 is an
12 under-recovery of \$3,036,213.

13

14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2014 through December
16 2014?

17

18 **A.** The estimated PGA true-up amount for 2014 is an over-
19 recovery of \$3,655,983.

20

21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be refunded during the period January 2015
23 through December 2015?

24

25 **A.** The total PGA true-up amount to be refunded in 2015 is

1 an over-recovery of \$619,770.

2

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

5

6 **A.** Yes. Composite Exhibit KMF-2 was prepared by me or
7 under my supervision.

8

9 **Q.** Please describe how Peoples will obtain its gas supplies
10 during the projected period of January 2015 through
11 December 2015.

12

13 **A.** All natural gas delivered through Peoples' distribution
14 system is received through three interstate pipelines.
15 Gas is delivered through Florida Gas Transmission
16 Company ("FGT"), through Southern Natural Gas Company
17 ("Southern") in Peoples' Jacksonville Division, and
18 through Gulfstream Natural Gas System ("Gulfstream") in
19 Peoples' Lakeland, Tampa, Sarasota, and Orlando
20 Divisions. Receiving gas supply through multiple
21 interstate pipelines provides valuable flexibility and
22 reliability to serve customers.

23

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

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

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

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

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

13
14 **Q.** How did Peoples estimate the amount of gas to be
15 purchased from various sources during the projected
16 period of January 2015 through December 2015?

17
18 **A.** Peoples' projected gas purchases are based on the
19 Company's preliminary total throughput of therms
20 delivered to customers projected for 2015, including
21 both sales of Peoples' system supply and transportation
22 deliveries of third party gas purchased by end-users of
23 Peoples. The throughput was then adjusted for the
24 anticipated level of transportation service.

25

1 **Q.** How are revenues derived from Peoples' Swing Service
2 Charge accounted for through the PGA?

3

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

11

12 **Q.** Is Peoples seeking a change in the Swing Service Charge?

13

14 **A.** Not at this time. However, to the extent a portion of
15 the swing costs are assigned to the PGA, Peoples may
16 seek to readdress its Swing Service Charge expenses and
17 the allocation thereof in a subsequent docket before the
18 Commission.

19

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

22

23 **A.** The price to be paid for natural gas is estimated based
24 on an evaluation of historical prices for gas delivered
25 to the FGT, Southern, and Gulfstream systems, futures

1 contracts as reported on the New York Mercantile
2 Exchange and forecasts of market prices for the
3 projection period of January 2015 through December 2015.
4 These prices are then adjusted to reflect the potential
5 for implied volatility increases and unexpected and
6 unforeseen increases due to market forces particularly
7 in the monthly and daily markets for natural gas prices
8 in the projection period.

9
10 **Q.** Referring to Schedules E-3 (A) through (G) of Composite
11 Exhibit KMF-2, please explain the components of these
12 schedules and the assumptions that were made in
13 developing the Company's projections.

14
15 **A.** Schedule E-3 (G) is a compilation of the monthly data
16 that appears on Schedules E-3 (A) through (F) for the
17 corresponding months of January 2015 through December
18 2015. In Schedules E-3 (A) through (F), Column (A)
19 indicates the applicable month for all data on the page.
20 In Column (B), "FGT" indicates that the volumes are to
21 be purchased from third party suppliers for delivery via
22 FGT interstate pipeline transportation. "SOUTHERN"
23 indicates that the volumes are to be purchased from a
24 third party supplier for delivery via Southern
25 interstate pipeline transportation. "GULFSTREAM"

1 indicates that the volumes are to be purchased from a
2 third party supplier for delivery via Gulfstream
3 interstate pipeline transportation. "THIRD PARTY"
4 indicates that the volumes are to be purchased directly
5 from various third party suppliers for delivery into
6 FGT, Southern, or Gulfstream.

7
8 In Column (C), "PGS" means the purchase will be for
9 Peoples' system supply and will become part of Peoples'
10 total WACOG. None of the costs of gas or transportation
11 for end-use purchases made by end-use customers of
12 Peoples are included in Peoples' WACOG. In Column (D),
13 purchases of pipeline transportation services from FGT
14 under Rate Schedules FTS-1 and FTS-2 are split into two
15 components, commodity (or "usage") and demand (or
16 "reservation"). Both Peoples and end-users pay the
17 usage charge based on the actual amount of gas
18 transported. The FTS-1 and FTS-2 commodity costs shown
19 include all related transportation charges including
20 usage, fuel and ACA charges. The FTS-1 and FTS-2 demand
21 component is a fixed charge based on the maximum daily
22 quantity of FTS-1 and FTS-2 firm transportation capacity
23 reserved. Similarly, the transportation rates of
24 Southern and Gulfstream also consist of two components,
25 a usage charge and a reservation charge. Individual

1 Transportation Service customers reimburse Peoples or
2 directly pay FGT for all pipeline reservation charges
3 associated with the transportation capacity that Peoples
4 reserves and uses on their behalf.

5
6 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
7 (or "NNTS") means FGT's no notice service provided to
8 Peoples on a fixed charge basis for use when Peoples'
9 actual use exceeds scheduled quantities. "SWING
10 SERVICE" means the demand and commodity component of the
11 cost of third party supplies purchased to meet Peoples
12 "swing" requirements for supply that fluctuate on a day-
13 to-day basis. "COMMODITY" means third party purchases of
14 gas transported on FGT, Southern or Gulfstream and does
15 not include any purchases of sales volumes from FGT.

16
17 Column (E) shows the monthly quantity in therms of gas
18 purchased by Peoples for each category of system supply.
19 Column (F) shows the gas purchased by end-users for
20 transportation.

21 Column (G) is the total of Columns (E) and (F) in each
22 row.

23 Columns (H), (I), (J) and (K) show the corresponding
24 third party supplier commodity costs, pipeline
25 transportation commodity costs, pipeline transportation

1 reservation costs, and other charges (e.g., balancing
2 charges), respectively. These costs are determined
3 using the actual amounts paid by Peoples. In the case
4 of end-user transportation, these costs are reimbursed
5 to Peoples or paid directly to FGT. All ACA and fuel
6 charges are included in the commodity costs in Column
7 (I) and, therefore, are not shown in Column (K). Column
8 (L) in each row is the sum of Columns (H), (I), (J) and
9 (K) divided by Column (G).

10
11 **Q.** Please explain the components of these schedules and the
12 assumptions that were made in developing the Company's
13 projections.

14
15 **A.** Schedule E-1 is shown in three versions. Page 18
16 relates to Cost of Gas Purchased, Therms Purchased, and
17 Cents Per Therm for Combined Rate Classes, Page 19
18 relates to Residential Customers, and Page 20 relates to
19 Commercial Customers.

20
21 The costs associated with various categories or items
22 are shown on lines 1 through 14. Line 6 on Schedule E-1
23 includes legal expenses associated with various
24 interstate pipeline dockets such as tariff filings,
25 seasonal fuel filings and certification proceedings. In

1 addition, legal and consulting expenses have been
2 included because FGT is scheduled to file a rate
3 proceeding no later than November 1, 2014. The
4 increased rates will be effective as of May 2015. These
5 expenses have historically been included for recovery
6 through the Purchased Gas Adjustment Clause because they
7 are fuel related expenses. The volumes consumed for
8 similar categories or items are shown on lines 15
9 through 27, and the resulting effective cost per therm
10 rate for each similar category or item is contained on
11 lines 28 through 45.

12
13 The data shown on Schedule E-1 are taken directly from
14 Schedules E-3 (A) through (F) for the months of January
15 2015 through December 2015.

16
17 **Q.** What information is presented on Schedule E-1/R of
18 Composite Exhibit KMF-2?

19
20 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
21 months actual and five months estimated data for the
22 current period from January 2014 through December 2014
23 for all combined customer classes.

24
25 **Q.** What information is presented on Schedule E-2 of

1 Composite Exhibit KMF-2?

2

3 **A.** Schedule E-2 of Composite Exhibit KMF-2 shows the amount
4 of the prior period over/under recoveries of gas costs
5 that are included in the current PGA calculation.

6

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

9

10 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the
11 calculation of the estimated true-up amount for the
12 January 2014 through December 2014 period. It is based
13 on actual data for seven months and projected data for
14 five months.

15

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

18

19 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical
20 data that includes the projected therm sales and numbers
21 of customers by customer class for the period from
22 January 2015 through December 2015.

23

24 **Q.** How have you incorporated the Residential PGA factor and
25 the Commercial PGA factor in the derivation of the PGA

1 cap for which the company seeks approval?

2

3 **A.** On April 5, 1998, the Commission issued Order No. PSC-
4 99-0634-FOF-GU as a Proposed Agency Action in Docket No.
5 981698-GU, and the Order subsequently became final.
6 This Order approved Peoples Gas' request for approval of
7 a methodology for charging separate Purchased Gas
8 Adjustment factors for different customer classes.
9 Under the approved methodology, separate PGA factors are
10 derived by assigning the fixed, interstate pipeline
11 reservation costs to each customer class according to
12 the class' contribution to the company's peak month
13 demand for the winter season and the summer season.
14 Exhibit KMF-2, Page 39, labeled Attachment, contains the
15 seasonal peak allocation factors based on the most
16 recent peak month data available, February 2014 and
17 April 2014. These allocation factors are then applied
18 to Schedule E-1 to derive the Residential, Commercial
19 and Combined for All Rate Classes. The WACOG for which
20 Peoples seeks approval as the annual cap is the
21 Residential factor of \$.98354 per therm as shown in
22 Schedule E-1. This annual cap will be applicable to all
23 rate classes.

24

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

1 **A.** Yes, it does.

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- 1 Final True-Up January 2013 - December 2013
- 2 Q. What were the total therm sales for the period January
3 2013 through December 2013?
- 4 A. Total therm sales were 965,535 therms.
- 5 Q. What were total therm purchases for the period January
6 2013 through December 2013?
- 7 A. Total therm purchases were 993,720.
- 8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2013 through December 2013?
- 10 A. The cost of gas purchased for January 2013 through
11 December 2013 was \$533,715.61.
- 12 Q. What was the amount of gas revenue collected for the
13 period January 2013 through December 2013?
- 14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$581,312.
- 16 Q. What is the total true-up provision for the period
17 January 2013 through December 2013?
- 18 A. The total true-up provision, including interest, is an
19 over-recovery of \$47,626.39 for the period.
- 20 Q. What is the amount of estimated true-up included for
21 January 2013 thru December 2013 in the January 2014
22 through December 2014 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
24 thru December 2013 included in the January 2014 through
25 December 2014 PGA factor calculation was an over-

1 recovery of \$58,391.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2013 period to be included in the
4 January 2015 through December 2015 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2015 through December 2015
7 projection is \$10,764.61.

8 Q. Does this conclude your testimony?

9 A. Yes

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Recovery)
)
)

Docket No. 140003-GU
Submitted for filing
August 21, 2014

DIRECT TESTIMONY OF ANDY SHOAF ON
BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.

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

A. Andy Shoaf, 301 Long Avenue, Port St. Joe,
Florida 32456, St. Joe Natural Gas Company in the
capacity of V-President and Regulatory Affairs.

Q. What is the purpose of your testimony?

A. My purpose is to submit known and estimated gas
costs and therm sales from January 1, 2014 through
December 31, 2014, used in developing the maximum twelve
month levelized purchased gas cost factor to be applied
to customer bills from January 1, 2015 through
December 31, 2015.

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

A. Yes, I have prepared and filed on August 21, 2014
Schedules E-1 through E-5.

Q. What Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2015 through December 31, 2015?

3 A. 74.10 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 140003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR**

**Direct Testimony of
Michelle D. Napier
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Michelle D. Napier 1641 Worthington Road, Suite 220, West Palm
3 Beach, FL 33409.

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

5 A. I am employed by Florida Public Utilities Company as the Senior
6 Regulatory Analyst.

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

8 A. To advise the Commission of the actual over/under recovery of the
9 Purchased Gas Adjustment for the period January 1, 2013 through
10 December 31, 2013, as compared to the true-up amount previously
11 reported for that period which was based on seven months actual and five
12 months estimated.

13 Q. Please state the actual amount of over/under recovery of the Purchased
14 Gas Adjustment for January 1, 2013 through December 31, 2013.

1 A. During January 2013 through December 2013, FPUC over-recovered
2 \$2,826,059.

3 Q. How does this amount compare with the estimated true-up amount, which
4 was allowed by the Commission during the November 2013 hearing?

5 A. As recognized in Order No. PSC-13-0600-FOF-GU, in Docket No.
6 130003-GU, FPUC had an anticipated over-recovery of \$2,730,783, based
7 upon 7 months of actual and 5 months of projected data.

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

9 A. We prepared and pre-filed composite Exhibit MDN-1, containing
10 Schedule A-7, Final Fuel Over/Under Recovery for the Period January
11 2013 through December 2013.

12 Q. Does this conclude your testimony?

13 A. Yes.

REDACTED

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
In Re: Purchased Gas Adjustment (PGA) Actual/Estimated Projections
DIRECT TESTIMONY OF MICHELLE D. NAPIER

On behalf of

Florida Public Utilities Company

DOCKET NO. 140003-GU

- Q. Please state your name and business address.
- A. My name is Michelle D. Napier. My business address is 1641 Worthington Road, Suite 220, West Palm Beach, Florida 33409.
- Q. By whom are you employed and in what capacity?
- A. I am employed by Florida Public Utilities Company (FPUC) as the Senior Regulatory Analyst.
- Q. Can you please provide a brief overview of your educational and employment background?
- A. I graduated from University of South Florida in 1986 with a BS degree in Finance. I have been employed with FPUC since 1987. During my employment at FPUC, I have performed various roles and functions in accounting, management and most recently, regulatory accounting (PGA, conservation, surveillance reports, regulatory reporting).
- Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the Company and the associated projected and actual revenues and costs?
- A. Yes.
- Q. What is the purpose of your testimony in this docket?
- A. My testimony will establish the PGA “true-up” collection amount, based on actual 2013 through June 2014 data and projected July through December 2014 data. My testimony will describe the Company’s forecast of pipeline charges and commodity

REDACTED

1 costs of natural gas for 2015. Finally, I will summarize the computations that are
2 contained in composite exhibit MDN-2 supporting the January through December
3 2015 projected PGA recovery (cap) factor for the FPUC consolidated gas division.

4 Q. Did you complete the schedules filed by your Company?

5 A. Yes.

6 Q. Which of the Staff's set of schedules has your company completed and filed?

7 A. The Company has prepared and previously filed True-Up schedules A-1, A-2, A-3,
8 A-4, A-5, A-6 and A-7, in addition to filing composite exhibit MDN-2 that contains
9 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the FPUC consolidated gas division.
10 These schedules support the calculation of the PGA recovery (cap) factor for January
11 through December 2015.

12 Q. What is the appropriate final PGA true-up amount for the period January through
13 December 2013?

14 A. As shown on Schedule E-4, the final PGA true-up amount for the period January
15 through December 2013 is an over-recovery of \$95,276, inclusive of interest.

16 Q. What is the projected PGA true-up amount for the period January through December
17 2014?

18 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
19 recovery of \$728,413, inclusive of interest, for the period January through December
20 2014.

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

22 A. The projection period is January through December 2015.

23 Q. What is the total projected PGA true-up amount to be collected from or refunded to
24 customers for the period January through December 2015?

25 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the period
26 January through December 2015 is \$823,689.

REDACTED

1 Q. Please describe how the forecasts of pipeline charges and commodity costs of gas
2 were developed for the projection period.

3 A. The purchases for the gas cost projection model are based on projected sales to
4 traditional non-transportation service customers. Florida Gas Transmission
5 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges (including
6 surcharges) and fuel rates, at the time the projections were made, were used for the
7 entire projection period. As is further explained herein, the Company has also
8 included costs related to further expansions in Nassau, Okeechobee, and Palm Beach
9 Counties. The expected costs of natural gas purchased by the Company during the
10 projection period are developed using actual prices paid during relevant historical
11 periods and the New York Mercantile Exchange (NYMEX) natural gas futures
12 pricing through the end of the projection period. The forecasts of the commodity
13 costs are then adjusted to reflect the unexpected potential market increases in the
14 projection period.

15 Q. Please describe how the forecasts of the weighted average cost of gas are developed
16 for the projection period.

17 A. The Company has forecasted the 2015-weighted average cost of gas using the
18 projected monthly pipeline demand costs, less the projected cost of capacity
19 temporarily relinquished to third parties, the projected pipeline usage and no-notice
20 costs and the projected supplier commodity costs. The sum of these costs are then
21 divided by the projected therm sales to the traditional non-transportation customers
22 resulting in the projected weighted average cost of gas and ultimately the PGA
23 recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall, if any, would be
24 satisfied by gas and capacity repackaged and delivered by another FGT capacity
25 holder. If other services become available and it is economic to dispatch supplies
26 under those services, the Company will utilize those services as part of its portfolio.

REDACTED

1 Q. Please describe the additional planned expansion opportunities in Nassau County.

2 A. The existing PPC/TECO jointly owned transmission pipeline runs north from Duval
3 County on SR 17, intersecting SR 200 and then east onto Amelia Island. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED] which would

8 enable the Company to capture existing commercial businesses in the area and a

9 planned large multi-use development. This pipeline will position FPUC to grow its

10 distribution system as the area grows. Many of these customers are currently using

11 propane and switching to natural gas would result in significant cost savings. [REDACTED]

12 [REDACTED]

13 [REDACTED] and has an agreement with TECO/PGS for upstream interstate pipeline

14 capacity. [REDACTED]

15 [REDACTED]

16 Q. Are there other areas of expansion that will affect the Company's PGA?

17 A. The Company is currently constructing a distribution expansion into the City of

18 Okeechobee and plans to begin serving customers in August 2014. Gas supply costs

19 for Okeechobee customers are included in the 2015 projections. Customer growth has

20 also been accounted for in the Company's projections. [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED] but, given the FPUC system configuration, is not

25 sufficient to meet demand without negatively impacting other customers. The FPUC

26 interconnection with PPC also enabled FPUC to avoid a major upgrade at its Riviera

REDACTED

1 Beach gate station. [REDACTED]
 2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED] and give
 8 FPUC the opportunity to serve future customers. [REDACTED]
 9 [REDACTED]
 10 [REDACTED]

11 Q. Are the pipeline capacity and supply costs associated with expansions appropriate for
 12 recovery in the PGA docket?

13 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
 14 upstream transmission pipeline capacity, transportation and related supply costs
 15 associated with service expansions to new areas. The Commission reviewed and
 16 approved the Company's agreements with both PPC and TECO/PGS to bring natural
 17 gas service to Nassau County.

18 Q. Have the appropriate related costs been included in the Projections for 2015?

19 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2, the
 20 Company has included the costs of existing interstate and intrastate capacity
 21 agreements, as well as the costs for gas supply to serve the new customers in Nassau
 22 and Palm Beach Counties as described above.

23 Q. What is the appropriate PGA recovery (cap) factor for the period January through
 24 December 2015?

25 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 98.747¢ per therm for
 26 the period January through December 2015.

REDACTED

1 Q. What should be the effective date of the PGA recovery (cap) factor for billing
2 purposes?

3 A. The PGA recovery (cap) factor should be effective for all meter readings during the
4 period of January 1, 2015 through December 31, 2015.

5 Q. Does this conclude your testimony?

6 A. Yes.

1 **CHAIRMAN GRAHAM:** And then the exhibits.

2 **MS. MAPP:** A stipulated Comprehensive Exhibit
3 List has been prepared identifying the prefiled exhibits
4 attached to witness testimonies. A copy has been
5 provided to the parties, the Commissioners, and the
6 court reporter.

7 The exhibit list is marked as the first
8 hearing number 1, and the following exhibits are marked
9 as located in the chart in the prehearing Comprehensive
10 Exhibit List. At this time we would move Exhibits 1
11 through 14 into the record as though marked in the
12 Comprehensive Exhibit List.

13 **CHAIRMAN GRAHAM:** Okay. We will enter
14 Exhibits 1 through 14 into the record. Are there any
15 objections from any of the parties? Seeing none, we'll
16 move those into the record.

17 (Exhibits 1 through 14 marked for
18 identification and admitted into the record.)

19 Okay. Are there any other matters to be
20 addressed in this docket?

21 **MS. MAPP:** No, there are no further matters.
22 And since the Commission has made a bench decision,
23 post-hearing filings are not necessary, and a final
24 order will be issued in this docket no later than
25 November 13th, 2014.

1 **CHAIRMAN GRAHAM:** Okay. This will conclude
2 this docket.

3 (Proceeding adjourned at 9:43 a.m.)
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1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

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

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

18 DATED THIS 29th day of October, 2014.

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LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734