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February 16, 2018

**BY E-PORTAL**

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

**Re: DOCKET NO. 20170179-GU - Petition for rate increase and approval of depreciation study by Florida City Gas.**

Dear Ms. Stauffer:

Attached, for electronic filing, please find the testimony and exhibits of Florida City Gas' rebuttal witness Carolyn Bermudez. (Document 6 of 10)

Sincerely,

A handwritten signature in cursive script, appearing to read 'Beth Keating', written over a horizontal line.

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
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**ATTACHMENTS**

cc:// Office of Public Counsel  
FEA

1 Before the Florida Public Service Commission

2 Docket No. 20170179-GU: Petition for rate increase by Florida City Gas

3 Prepared Rebuttal Testimony of Carolyn Bermudez

4 Date of Filing: February 16, 2018

5  
6 Q. Please state your name, business address, and occupation.

7 A. My name is Carolyn Bermudez. My business address is 4045 NW 97<sup>th</sup>  
8 Avenue, Doral, Florida 33178. I am employed by Southern Company Gas  
9 as Vice President of Operations and General Manager of Florida City Gas  
10 (“FCG” or “Company”), which is the position I have held since 2014.

11  
12 Q. Have you filed testimony before the Florida Public Service Commission  
13 (“FPSC”) in this case?

14 A. Yes.

15  
16 Q. Are you sponsoring any exhibits in this case?

17 A. No.

18  
19 Q. What is the purpose of your rebuttal testimony?

20 A. I will address the testimony filed by OPC Witness Dismukes, FEA Witness  
21 Collins, and generally rebut the Intervenor position: 1) that our proposed  
22 LNG facility is not needed; 2) that we do not have to serve essential use  
23 transportation customers; and that 3) we have not thoroughly considered  
24 other options to LNG. In addition, I will provide further clarity around our

1 request for additional employees in the test year thereby rebutting Witness  
2 Willis's testimony in that regard.

3

4 Q. Ms. Bermudez, have you read all of the testimony provided by OPC  
5 witness Dismukes?

6 A. Yes.

7

8 Q. It is his testimony that your LNG proposal should be rejected because in  
9 his opinion, your capacity needs, are speculative. Do you agree?<sup>1</sup>

10 A. No. Absolutely not.

11

12 Q. Please elaborate on your answer.

13 A. The discussion of capacity and who pays for that capacity started in 2015  
14 during a meeting with Staff and OPC. It was after that meeting that a  
15 more thorough review of our overall system capacity and design day  
16 demand took place. Florida City Gas has an obligation to provide safe  
17 and reliable natural gas to all customers, both sales and transportation,  
18 and currently, we do not have enough system capacity to meet that  
19 obligation.

20

21 When customers make the decision to convert to natural gas, their first  
22 contract is with Florida City Gas. If the gas they need is not supplied by  
23 the unregulated Marketers they had chosen, our regulators and the  
24 Legislature will look to Florida City Gas to explain the resulting interruption

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<sup>1</sup> Direct Testimony of David E. Dismukes, 2:20 – 3:4, 48:20-50:9.

1 of service, as well as any detrimental impacts to Florida citizens or  
2 decisions of industrial customers to select alternative locations due to the  
3 uncertainty of natural gas availability. The safety, sustainability, and  
4 reliability of the FCG system are not the responsibility of unregulated  
5 Marketers. The responsibility for system safety, sustainability, and  
6 reliability rests on our shoulders, as does the obligation to serve.

7

8

9 Q. What is the basis of your belief that essential use transportation customers  
10 will return to FCG for gas service?

11 A. We are the supplier of last resort. It is not merely a question of when  
12 transportation customers will return to FCG for natural gas service. That's  
13 not exactly the point. Where else would the transportation customers be  
14 able to go? They are already our customers. This is where we believe the  
15 Office of Public Counsel misunderstands. We must have the capacity  
16 available for all circumstances. Therefore, our system must have enough  
17 gas to meet the demand of ALL customers for any point in time to prevent  
18 any potential shortage. We do not have the ability to remotely isolate  
19 each customer and shut off their gas supply if their Marketer fails to supply  
20 the gas for their usage. We also cannot suspend service to a  
21 transportation service customer until we know with certainty that their gas  
22 supply has not been delivered. As gas flows through our system, it is  
23 available to all customers regardless if they are transportation or sales. If  
24 the gas usage exceeds our supply because of a Marketer shortage, there

1 is no way for the Company to determine the immediate cause or which  
2 customer's gas supply was not delivered.

3

4

5 Q. Has FCG identified any regulation or rule that requires it to provide and  
6 maintain back-up capacity to transportation customers, essential or  
7 otherwise?<sup>2</sup>

8 A. Although there is no regulation that requires FCG to maintain back-up  
9 capacity for transportation customers, we must, and are expected to,  
10 provide service to any customer that requests service. Our tariff allows a  
11 transportation customer to leave a Marketer and return to FCG without  
12 notice to us and at that point, we have an obligation to serve. I would  
13 submit that we absolutely must have sufficient capacity to service any  
14 customer that requests service.

15

16 Q. If that is the case, Ms. Bermudez, isn't Witness Dismukes correct that you  
17 can modify your tariff to address this concern?

18 A. No, he is not correct. We can always modify the tariff to address the  
19 notice issue but that alone does not address the bigger issue. Our current  
20 system does not allow us to perform daily balancing at a customer level.  
21 That means if a Marketer's supply is short on any given day, FCG can  
22 only hold the Marketer accountable, but not the transportation customer,  
23 because we do not have access to the Marketer agreements with their  
24 customers. There is no way for FCG to determine which transportation

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<sup>2</sup> Direct Testimony of David E. Dismukes, 22:10 – 21.

1 customer used more gas than they contracted because those contracts  
2 are with the Marketer and the customer. Even if we could determine  
3 which specific transportation customer used more than was supplied, we  
4 don't have the ability to remotely shut off the meter to prevent continued  
5 gas usage. In other words, as FCG's Witness Becker will further describe,  
6 there is no "traffic cop" at the meter.

7

8 Q. Ms. Bermudez, have you read the testimony filed by FEA Witness Collins?

9 A. Yes.

10

11 Q. Citing your tariff, Witness Collins contends that FCG has recognized that it  
12 does not have an obligation to provide transportation customers with gas  
13 service. Is he correct?<sup>3</sup>

14 A. Not exactly. It is correct that our tariff states if the customer's third party  
15 supplier fails to deliver gas, we "may" provide replacement gas. While it  
16 appears that our service is discretionary, in reality, it is not. We do not  
17 believe that we can deny this service to a customer nor do we believe the  
18 Commission would want us to. When a customer requests service, we  
19 must provide it. As stated earlier in my testimony, these are our existing  
20 customers on our distribution pipeline system.

21 Many of the transportation customers we serve are small commercial  
22 businesses looking for ways to save money on their energy bill and they  
23 have entered into Marketer arrangements as an attempt to do so. We do  
24 not see, review, nor approve the contracts signed with the Marketer and

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<sup>3</sup> Direct Testimony of Brian C. Collins, 20:4-26.

1 cannot be sure capacity risk is clearly explained. In fact, the Marketers  
2 are not regulated by the Commission so there are no filings we can  
3 review. These are contractual relationships between the customer and  
4 the Marketer. With that said, the complexity of that relationship does not  
5 remove our ultimate responsibility to have sufficient capacity. We know  
6 many Marketers do not hold firm capacity on the FGT pipeline which not  
7 only puts these customers at risk but all customers. We have to plan and  
8 hold enough capacity for all customers to ensure the reliability of our  
9 distribution pipeline system during a design day. We believe this is what  
10 the Commission expects of us. It is what we expect of ourselves on behalf  
11 of our customers.

12

13 Q. Witness Collins also testifies that our tariff allows you to impose penalties  
14 to third party suppliers if they fail to deliver to their transportation  
15 customers. Is this correct?

16 A. It is correct that our tariff allows FCG to impose penalties to third party  
17 suppliers if they fail to deliver gas to customers but if a significant shortage  
18 occurs, penalties do not help ease the situation to the customer. In fact,  
19 failure by Marketers to deliver to their customers could cause a mass  
20 outage and impact a larger number of customers. Restoring our system  
21 after a mass outage requires significant resources and creates huge  
22 inconveniences for all customers. Below are the steps necessary to  
23 restore our system after a mass outage.

- 24 • We must visit every premise impacted and turn off all meters. If we  
25 are unable to access any property to get the meter turned off due to

1 customer unavailability, we cannot begin the restoration process.  
2 For safety, restoration cannot begin until all meters are confirmed  
3 off.

- 4 • Once all meters are off, gas is re-entered into the system and  
5 pressure tested.
- 6 • We visit all premises again to gain access inside the home and/or  
7 business to restore gas service. All appliances are checked to  
8 ensure they meet current building code requirements. If current  
9 code violations are found, the appliances will be tagged and the  
10 gas must remain off. The customers are advised of the violation  
11 and given instructions for getting the gas service restored once the  
12 violations are resolved.
- 13 • The restoration of gas service normally takes several visits to the  
14 customer premise to gain access.

15  
16 As one can see from the process explained above, the cost of restoring  
17 our natural gas system after an outage will far exceed any penalties  
18 making the penalty provision not as effective as Public Counsel believes.  
19 In any case, it also does not address our ultimate responsibility to provide  
20 service to any customer.

21  
22 Q. Dr. Dismukes testifies that you have sufficient capacity to serve your firm  
23 retail customers. Is this correct?<sup>4</sup>

24

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<sup>4</sup> Direct Testimony of David E. Dismukes, 34:13-19.

1 A. We have just enough capacity to serve our existing firm retail sales  
2 customers at this time. We absolutely do not have sufficient capacity to  
3 serve our projected need for retail sales customers, as well the needs of  
4 transportation customers serviced by Marketers. Since most Marketers do  
5 not hold firm capacity for their transportation customers and there is no  
6 additional capacity available on the existing pipelines, all of our customers  
7 as well as our pipeline are at risk.

8  
9 Q. Witness Dismukes states the position that FCG has not adequately  
10 considered all options available for capacity? Do you agree?

11 A. No. I do not. Remember for Florida City Gas, the customer is at the  
12 center of everything we do. As Witness Becker testifies, we fully  
13 considered a number of options. We eliminated all options that were not  
14 cost-effective. At the end of the day, we are confident that our LNG  
15 proposal is cost-effective, strategically placed in a geographic location  
16 allowing for maximum use, and demonstrates our long-term responsible  
17 planning to mitigate against capacity shortages. Our proposal results in  
18 the most cost effective solution on behalf of our customers.

19  
20 Q. Dr. Dismukes appears to suggest that you are exaggerating or overstating  
21 your concerns over essential use transportation customers. Please  
22 respond to this notion as well as address his belief that you have not  
23 provided sufficient evidence that there is a real need for capacity.<sup>5</sup>

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<sup>5</sup> Direct Testimony of David E. Dismukes, 35:5-18.

1 A. Commissioners, let us understand what an “essential use” customer is.  
2 We are talking about nursing homes, hospitals, and water treatment  
3 plants. We only have to look at what happened post-Irma to nursing  
4 homes to understand why we must build sufficient additional capacity. For  
5 example, as I write this testimony, the Legislature is evaluating a  
6 mandatory generator rule that will apply to all nursing homes in the state.  
7 In other words, as the Commission knows, the Legislature is  
8 contemplating requiring all nursing homes to have backup generators in  
9 the event of weather-related outages. Those generators, for example,  
10 could be supplied by natural gas. We must be prepared. I would submit to  
11 you that critical stakeholders in the state including the Commission will  
12 expect us to have sufficient capacity to accommodate these changing  
13 demands. On behalf of our customers and employees, we want to be  
14 ready and see it as our responsibility to do so.

15

16 Q. On pages 11-12 of his testimony, Dr. Dismukes concludes that the  
17 company’s review and reservation of capacity are recent endeavors. Is  
18 this correct?

19 A. No, of course not. In fact, in early summer 2015, we met with Staff and  
20 OPC to discuss concerns about capacity and appropriate cost recovery.  
21 After that meeting, in our internal reviews and capacity planning, we  
22 began to further understand the significance of Florida’s capacity needs.  
23 As a part of this process, we investigated the following options: obtaining  
24 additional capacity from FGT, extending our facility to obtain capacity from

1 Sabal Trail, contracting LNG capacity from a third party, and partnering  
2 with other natural gas utilities on a joint project to construct a pipeline.

3

4 Q. In his testimony, Dr. Dismukes appears to suggest that you can choose to  
5 not serve some customers to free up capacity. Please address this.<sup>6</sup>

6 A. No. We cannot do that. And even further, the Commission would not want  
7 us to do that. Our industrial customers have invested significant dollars in  
8 natural gas equipment based on FCG's commitment to provide safe and  
9 reliable natural gas. Should these customers leave our system, which  
10 would push a substantial amount of cost to sales customers – our  
11 residential customers, to be absolutely clear. I do not believe that Witness  
12 Dismukes fully appreciates the negative impact his positions, if accepted,  
13 would have on the residential customers. As Witness Deason explains in  
14 his testimony, there is a symbiotic relationship between transportation and  
15 sales customers. When we grow our customer base, organically or  
16 otherwise, we have more customers for which costs can be spread. At the  
17 end of the day, that helps our residential customers.

18

19 Q. Ms. Bermudez, why does FCG need this LNG facility?

20 A. Commissioners, no one contemplated 15 or 20 years ago, that the natural  
21 gas needs would develop this quickly or this wide. The stability of lower  
22 natural gas prices has made it a viable alternative for electric generation  
23 and industrial processing. Weather-related events have created new  
24 dynamics and pressure to the natural gas system. And, as now, the 3<sup>rd</sup>

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<sup>6</sup> Direct Testimony of David E. Dismukes, 23:14 – 24:10.

1 largest state, Florida's population has grown adding more demand to our  
2 system. I have the privilege of serving on the Florida Chamber Foundation  
3 Board and I've been privy to the remarks of the state leaders openly  
4 encouraging and supporting economic development growth. We support  
5 that. Our infrastructure must accommodate the anticipated growth while  
6 at the same time be able to support weather-related and other emergency-  
7 related events. I believe that it is unacceptable on our part to delay a  
8 resolution to the capacity issue when we know, now, there is a critical  
9 need for capacity. Considering all pipelines are fully subscribed, we  
10 cannot pass up the opportunity to contract for the little remaining capacity  
11 on behalf of our customers. To do so would be extremely short-sighted.  
12 Any future capacity solution could take years and not months and would  
13 be substantially more expensive. Natural gas is a critical energy option  
14 and it is therefore, important that we understand the new and changing  
15 demands, anticipated growth, and what is required to maintain safe,  
16 reliable, and excellent service.

17

18 Q. Witness Willis's position is that you have not justified your request for an  
19 additional 20 employees, and therefore, the Commission should only allow  
20 projected test year costs to support 5 additional employees, which he  
21 believes is more commensurate with your historic employee growth, and  
22 will further result in a reduction of \$803,543 (not including the 3 employees  
23 for the LNG facility). Do you agree with his assessment?<sup>7</sup>

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<sup>7</sup> Direct Testimony of Marshall W. Willis, 14:18 – 19:21.

1 A. No I do not. Witness Willis incorrectly states that the new employees are  
2 solely necessary for our apprentice pool. That is not the case. The  
3 employees are required to assist in meeting the work demands associated  
4 with increased regulatory compliance, increased work, and to staff our  
5 LNG facility. Since the last rate case, FCG has installed more than 400  
6 miles of pipe and added more than 9,000 customers.

7

8 Over the last five years, we have seen an increase of more than 73% in  
9 locate tickets. Federal regulations require all tickets be worked within three  
10 business days. The vast majority of our additional resources are required  
11 to manage this workload. In addition to locate tickets, we are also seeing  
12 higher work volumes tied to increased safety regulations imposed by  
13 federal agencies, such as the Pipeline and Hazardous Materials Safety  
14 Administration (“PHMSA”). New regulation changes made by PHMSA  
15 pertaining to natural gas distribution and transmission facility integrity  
16 management plans, as well as, the recent curb valve changes, have  
17 contributed to the capital investment increases.

18

19 It takes more than three years to qualify and certify a field technician to  
20 perform safety sensitive work. The qualification and certification process  
21 represents classroom and on-the-job training. The apprentice pool started  
22 in Florida more than three years ago to allow employees the time  
23 necessary for training and a backfill resource pool for vacancies at the  
24 more tenured level.

25

1 Q. Witness Willis further states, on page 18 of his testimony, that he would  
2 expect the overtime dollars to be reduced and not increased in the  
3 projected test year implying that you have overstated salaries. Is this  
4 correct?

5 A. No. The projected test year overtime is driven by the cost for after-hours  
6 on-call resources to respond to leak calls and other emergencies. The  
7 increase in resources will not eliminate or reduce this obligation or its cost.

8

9 Q. With regard to your request for 3 employees for the proposed LNG facility,  
10 Witness Willis recommends that the fully loaded costs of \$273,994 should  
11 be removed because you failed to show the exact actual budgeted  
12 amounts. Do you agree?

13 A. No. The LNG detailed cost, has, in fact been provided to Public Counsel.

14

15 Q. Does that conclude your testimony?

16 A. Yes.