

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20180003-GU

PURCHASED GAS ADJUSTMENT
(PGA) TRUE-UP.

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VOLUME 1
PAGES 1 through 63

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

DATE: Monday, November 5, 2018

TIME: Commenced: 1:43 P.M.
Concluded: 1:47 P.M.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
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4 Tallahassee, Florida 32301-1839, appearing on behalf of
5 Florida Public Utilities Company, and Florida Public
6 Utilities Company - Fort Meade, and Florida City Gas;
7 and CHRISTOPHER T. WRIGHT, ESQUIRE, 700 Universe
8 Boulevard, Juno Beach, Florida 33408, appearing on
9 behalf of Florida City Gas.

10 JAMES BEASLEY, ANSLEY WATSON and ANDREW BROWN,
11 ESQUIRES, McFarlane Law Firm, P.O. BOX 1531, Tampa,
12 Florida, 33601-1531, appearing on behalf of Peoples Gas
13 System.

14 ANDY SHOAF, VICE PRESIDENT, St. Joe Natural
15 Gas Incorporated, P.O. Box 549, Port St. Joe, Florida
16 32457-0549, appearing on behalf of St. Joe Natural Gas.

17 J.R. KELLY, PUBLIC COUNSEL; CHARLES REHWINKEL,
18 DEPUTY PUBLIC COUNSEL; and PATRICIA A. CHRISTENSEN,
19 ESQUIRE, Office of Public Counsel, c/o the Florida
20 Legislature, 111 W. Madison Street, Room 812,
21 Tallahassee, Florida 32399-1400, appearing on behalf of
22 the Citizens of the State of Florida.

23

24

25

1 APPEARANCES (CONTINUED):

2 KURT SCHRADER, ESQUIRES, FPSC General
3 Counsel's Office, 2540 Shumard Oak Boulevard,
4 Tallahassee, Florida 32399-0850, appearing on behalf of
5 the Florida Public Service Commission Staff.

6 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE
7 HELTON, DEPUTY GENERAL COUNSEL; Florida Public Service
8 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
9 Florida 32399-0850, Advisor to the Florida Public
10 Service Commission.

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EXHIBITS

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P R O C E E D I N G S

COMMISSIONER CLARK: All right. Let's move to the 03 docket, preliminary matters.

MR. SCHRADER: As previously noted, St. Joe Natural Gas Company and Peoples Gas Company have been excused from the hearing.

Staff also notes that there are proposed stipulations on all issues. All witnesses have been excused, and that the parties have waived opening statements.

COMMISSIONER CLARK: All right. Let's address prefiled testimony, Mr. Schrader.

MR. SCHRADER: Staff will ask that the prefiled testimony of all witnesses identified in Section VI of the prehearing order be inserted into the record as though read.

COMMISSIONER CLARK: All right.

(Prefiled testimony inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

KENNY R. SMITH

ON BEHALF OF FLORIDA CITY GAS

(Final True-Up)

DOCKET NO. 20180003-GU

1

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

3 A. My name is Kenny Smith. My business address is Ten
4 Peachtree Place, Atlanta, Georgia, 30309.

5

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

7 A. I am currently employed as Rates Manager at Southern
8 Company Gas. Southern Company Gas is the parent holding
9 company for multiple natural gas distribution companies,
10 including Florida City Gas ("FCG" or the "Company").

11

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

14 A. I received a Bachelor of Industrial Engineering degree from
15 Georgia Institute of Technology and a Bachelor of Science
16 degree from Georgia Southwestern College. Prior to my current
17 position, I was employed by Georgia Power Company as

1 Resource Planning Project Manager from 2007-2017, Economic
2 Analysis Manager from 2003-2006, Rate Design Manager from
3 2001-2002 and Rate Design Analyst from 1996-2001. I was
4 previously employed by Southern Company Services as
5 Capacity Pricing Engineer from 1991-1995.

6

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

8 A. The purpose of my testimony is to present the comparison of
9 actual versus original estimate of the purchased gas adjustment
10 true-up amount for the period January through December, 2017
11 for FCG.

12

13 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED
14 BY THIS COMMISSION FOR THIS PURPOSE?**

15 A. Yes. The Company has prepared the form prescribed by the
16 Commission attached as Schedule A-7, and identified as Exhibit
17 KRS-1.

18

19 **Q. HAS FCG PREPARED A SCHEDULE WHICH SHOWS THE
20 ACTUAL GAS COSTS ASSOCIATED WITH THE
21 PURCHASED GAS ADJUSTMENT COST RECOVERY
22 FACTOR?**

1 A. Yes. FCG prepared Schedule A-7, attached, which describes
2 the total actual fuel cost for the period in question, recovery of
3 such cost from ratepayers through the Purchased Gas
4 Adjustment (PGA) Cost Recovery Factor, and remaining over or
5 under-recovery of gas cost.

6

7 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**
8 **COMPANY DURING THE TWELVE MONTHS ENDED**
9 **DECEMBER 31, 2017?**

10 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
11 twelve months ended December 31, 2017 is \$22,676,900.

12

13 **Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST**
14 **RECOVERED BY THE COMPANY DURING THE TWELVE**
15 **MONTHS ENDED DECEMBER 31, 2017?**

16 A. The Company recovered \$20,768,244 from customer billings
17 plus an additional \$1,276,427 from margin sharing credits.

18

19 **Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE**
20 **TWELVE MONTHS ENDED DECEMBER 31, 2017?**

21 A. The actual true-up amount, including adjustments, margin
22 sharing and interest, is an under-recovery of \$618,348.

23

1 **Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT**
2 **AMOUNT?**

3 A. Yes. As shown on Schedule A-7, the total fuel cost for the
4 period is \$22,676,900 and the total fuel revenues are
5 \$20,768,244. The difference between the fuel cost and fuel
6 revenues is an under-recovery of \$1,908,656. This under-
7 recovery was offset by an adjustment of \$1,276,427 for margin
8 sharing, and an interest provision of \$13,881. The sum of these
9 is an under-recovery of \$618,348.

10

11 **Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE**
12 **JANUARY THROUGH DECEMBER 2017 PERIOD TO BE**
13 **INCLUDED IN THE 2019 PROJECTION?**

14 A. The final true-up amount for the period of January through
15 December 2017 to be included in the 2019 projection is an over-
16 recovery of \$1,160,543. This is the difference between the
17 estimated under-recovery of \$1,778,891 that is included in the
18 current cost recovery factor being collected during 2018 and the
19 actual under-recovery of \$618,348 during 2017.

20

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

22 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY (PROJECTIONS AND PGA CAP) OF
MIGUEL BUSTOS ON BEHALF OF FLORIDA CITY GAS
DOCKET NO. 20180003-GU

August 20, 2018

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

2 A. My name is Miguel Bustos. My business address is 4045 NW 97 Ave.
3 Doral, FL 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
6 Gov. & Community Affairs. I have been with the Company for
7 approximately 15 years.

8 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER OF**
9 **GOVERNMENTAL AND COMMUNITY AFFAIRS?**

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

16 **Q. PLEASE DESCRIBE YOUR PRIOR WORK EXPERIENCE AND**
17 **RESPONSIBILITIES.**

18 A. I began my career at Florida City Gas in 2001. I progressed through
19 roles in operations, budgeting, accounting, and business operations.

1 Prior to joining Florida City Gas, I was a corporate lead auditor at
2 PricewaterhouseCoopers.

3 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

4 A. I have a Bachelor of Science Degree in Accounting from the National
5 Polytechnic Institute (Mexico City) and completed MBA coursework at
6 the University of Americas.

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

8 A. I am submitting this testimony in support of FCG's request for
9 Commission approval of a Purchased Gas Adjustment ("PGA") Factor
10 to be applied for service to be rendered during the projected period of
11 January 1, 2019 through December 31, 2019 (the "Projection Period").
12 First, I will adopt the testimony and exhibits previously submitted by
13 Kenny R. Smith on April 17, 2018, in support of FCG's final purchased
14 gas adjustment true-up amount related to the twelve-month period
15 ended December 31, 2017. Next, my testimony will present the revised
16 estimate of the Company's projection of gas costs for the period June
17 2018 through December 2018, and the Company's projection of gas
18 costs for the period January 2019 through December 2019. Finally, I
19 will present the development of the maximum PGA Factor that may be
20 charged to Sales Customers during the Projection Period.

21 **Q. PLEASE EXPLAIN WHY YOU ARE ADOPTING THE TESTIMONY**
22 **PREVIOUSLY SUBMITTED BY KENNY R. SMITH.**

23 A. On April 27, 2018, FCG filed its petition for approval of its final
24 purchased gas adjustment true-up amount related to the twelve-month

1 period ended December 31, 2017, which was docketed at Docket No.
2 20180003-GU. Together with that petition, FCG submitted the
3 prepared written direct testimony of Kenny R. Smith and Exhibit KRS-1.
4 As stated in his direct testimony, Mr. Smith is employed by Southern
5 Company Gas, which was the parent holding company for FCG at the
6 time of the April 27, 2018 filing. However, on July 29, 2018, FCG was
7 acquired by and became a wholly-owned, direct subsidiary of Florida
8 Power & Light Company ("FPL"). Because Mr. Smith is not an
9 employee or representative of FCG or its current parent, FPL, I am
10 adopting Mr. Smith's direct testimony and Exhibit KRS-1 as if it were my
11 own testimony. With the exception of the questions related to his
12 background, if asked the questions set forth in Mr. Smith's testimony,
13 my answers and supporting exhibit would be the same.

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

16 A. Yes. The forms prescribed by the Commission are attached to my
17 testimony as Exhibit MB-2.

18 **Q. CAN YOU EXPLAIN THE METHOD USED TO CALCULATE THE**
19 **COMPANY'S PROJECTION OF GAS COSTS FOR THE PERIOD**
20 **JANUARY 2019 THROUGH DECEMBER 2019?**

21 A. Yes. To calculate its projected gas costs, the Company applied the
22 methodology adopted by the Commission in Order No. PSC-1993-
23 0708-FOF-GU issued May 10, 1993, and modified in Docket No.
24 19980269-PU on May 19, 1998. Under this methodology, natural gas

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

14 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE AS**
15 **PROJECTED?**

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

19 **Q. HOW ARE DIFFERENCES BETWEEN THE COMPANY'S**
20 **ESTIMATED AND ACTUAL GAS COSTS TREATED?**

21 A. The forms prescribed by the Commission take this into consideration.
22 Form E-2 calculates the projected differences using estimated figures,
23 and form E-4 calculates the final net true-up using actual figures.
24 These under/over recoveries are recovered from or credited to Sales

1 Customers, as appropriate, through a true-up factor included in PGA
2 Factor billed in the subsequent twelve month period.

3 **Q. ARE ANY FLORIDA GAS TRANSMISSION (“FGT”) RATE**
4 **CHANGES PROJECTED IN THIS FILING?**

5 A. No, the FGT rates used in the preparation of this filing are based on
6 those in effect on June 1, 2018.

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

9 A. Yes. Schedule E-1 shows the Projection Period, January 2019 through
10 December 2019. For 2019, the Company projects the total gas
11 purchases by Sales Customers will be 38,603,220 therms (Line 15) at a
12 total cost of \$23,919,896 (Line 11) with a resulting WACOG of 61.963
13 cents per therm (Line 40) before the application of the true-up factor
14 and the regulatory assessment fee.

15 Schedule E-4 shows the final true-up of the revised estimated
16 gas costs and the actual gas costs for the prior period, January 2017
17 through December 2017, which is an over-recovery of \$1,160,543
18 (Column 3, Line 4). The projected true-up for the current period (based
19 on six months actual data and six months projected data), January
20 2018 through December 2018, is an under-recovery of \$1,578,371
21 (Column 4, line 4). The total net true-up, as shown on Schedule E-4, is
22 an under-recovery of \$417,828, which results in a true-up factor of
23 1.082 cents per therm that would be applied during the Projection
24 Period (Schedule E-1, Line 41).

1 Applying the net true-up factor increases the WACOG for the
 2 Projection Period to 63.046 cents per therm (Line 42) before the
 3 regulatory assessment fee. With the regulatory assessment fee added,
 4 the WACOG is 63.363 cents per therm (Line 44) based on the average
 5 of the winter and summer seasons.

6 **Q. DOES THE WACOG DESCRIBED ABOVE PROVIDE A SUFFICIENT**
 7 **BASIS TO SET THE PGA FACTOR FOR THE PROJECTION**
 8 **PERIOD?**

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

17

<u>Winter Average, per Therm</u>	
Total Cost (Line 11)	\$15,250,354
Total Therm Sales (Line 27)	21,695,625
(Line 11/ Line 27)	\$0.70292
True-up	\$0.01082
Before Regulatory Assessment	\$0.71375
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$0.71734

18

1 As shown above, the maximum levelized PGA Factor based on the
2 Company's expected winter cost of gas is 71.375 cents per therm. With
3 the regulatory assessment fee added, the maximum levelized PGA
4 Factor is 71.734 cents per therm. If approved by the Commission,
5 71.734 cents per therm would be the maximum PGA Factor that FCG
6 may charge its Sales Customers during the period January 2019
7 through December 2019.

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

9 **A.** Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**SUPPLEMENTAL DIRECT TESTIMONY
(PROJECTIONS AND PGA CAP) OF
MIGUEL BUSTOS ON BEHALF OF FLORIDA CITY GAS
DOCKET NO. 20180003-GU**

October 9, 2018

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

2 A. My name is Miguel Bustos. My business address is 4045 NW 97 Ave.
3 Doral, Fl. 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
6 Gov. & Community Affairs. I have been with the Company for
7 approximately 15 years.

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN
9 THIS PROCEEDING?**

10 A. Yes, I previously submitted pre-filed written direct testimony on August
11 20, 2018, in support of FCG's request for Florida Public Service
12 Commission ("the Commission") approval of a Purchased Gas
13 Adjustment ("PGA") Factor to be applied for service to be rendered
14 during the projected period of January 1, 2019 through December 31,
15 2019 (the "Projection Period").

16 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR SUPPLEMENTAL
17 DIRECT TESTIMONY.**

18 A. My Supplemental Direct Testimony is being submitted pursuant to the
19 Company's Agreed Motion for Leave to Submit Supplemental Direct

FCG Supplemental Direct Testimony
Miguel Bustos

1 Testimony in this proceeding.¹ The purpose of my Supplemental Direct
2 Testimony is to explain and sponsor Supplemental Exhibits MB-3 and
3 MB-4, which reflect a proposed credit to the PGA Factor that arises
4 from a Stipulation and Settlement Regarding Remaining Excess
5 Accumulated Deferred Income Tax Issues (“2018 EADIT Agreement”)
6 currently pending before the Commission in Docket No. 20180154-GU.
7 As explained below, FCG requests that the Commission’s order
8 approving the 2019 maximum levelized PGA Factor also include a
9 provision that authorizes and directs FCG to apply a levelized PGA tax
10 savings credit each month during 2019 (the “Projection Period”) if the
11 2018 EADIT Agreement is approved.

12 **Q. PLEASE DESCRIBE THE 2018 EADIT AGREEMENT.**

13 A. On October 23, 2017, FCG petitioned the Commission for a rate
14 increase to generate additional gross annual revenues in the amount of
15 \$19.3 million, with the effective date of such rate increase to be August
16 1, 2018 (“the Rate Case”). The parties to the Rate Case entered into a
17 Stipulation and Settlement to resolve the Rate Case (“Rate Case
18 Settlement”), which was approved by Commission Order No. PSC-
19 2018-0190-FOF-GU, issued April 20, 2018. The revenue increase
20 included in the Commission-approved Rate Case Settlement
21 incorporated a \$4,584,338 reduction to the Company’s 2018 projected

¹ The Company’s Agreed Motion also requested the Commission include an additional, Company-specific issue in this PGA proceeding: Should the 2019 PGA tax savings credit proposed by FCG be applied to customers’ bills in 2019?

FCG Supplemental Direct Testimony
Miguel Bustos

1 test year to reflect the Company's projected tax savings from the Tax
2 Cuts and Jobs Act of 2017 (Pub. Law 115-97) ("TCJA").

3 Article II, Paragraph c. of the Commission-approved Rate Case
4 Settlement further acknowledged that the finalized amount of FCG's
5 "protected" and "unprotected" excess deferred taxes and the flow back
6 period of the excess "protected" deferred taxes, arising from the TCJA,
7 would be determined and trued-up either by submission of a later
8 agreement or the initiation of a limited scope proceeding. After multiple
9 extensions, FCG filed its Petition for Limited Scope proceeding on
10 August 10, 2018, which was docketed in Docket No. 20180154-GU.

11 Despite the Petition for Limited Scope proceeding, the parties
12 continued to negotiate in good faith in an effort to mutually resolve the
13 outstanding tax savings issues. Ultimately, FCG, the Office of Public
14 Counsel, and the Federal Executive Agencies entered into the 2018
15 EADIT Agreement, which fully resolves the outstanding tax savings
16 issues arising from the TCJA. The 2018 EADIT Agreement was filed
17 with the Commission on October 8, 2018, in Docket No. 20180154-GU,
18 and is currently pending before the Commission for disposition.

19 Pertinent to the 2019 PGA Factor, the 2018 EADIT Agreement
20 provides as follows:

21 The parties agree that \$1.6 million of basis
22 adjustments were incorrectly classified as "protected"
23 and shall be reclassified as "unprotected" with an
24 amortization period of five (5) years. The difference
25 between (a) FCG's revenue requirement based on the
26 current amortization in base rates, and (b) the

FCG Supplemental Direct Testimony
Miguel Bustos

1 revenue requirement amount that would have been
2 flowed through using a five-year amortization is
3 \$304,943. **FCG agrees to file on or before October**
4 **12, 2018 a supplemental exhibit in Docket No.**
5 **20180003-EI, which will request authority to apply**
6 **a levelized Purchased Gas Adjustment credit each**
7 **month during 2019 to reflect the amortization of**
8 **\$304,943 if this 2018 EADIT Agreement is**
9 **approved.** FCG agrees to implement a base rate
10 reduction on January 1, 2019, in the amount of
11 \$304,943.

12 See 2018 EADIT Agreement in Docket No. 20180154-GU (emphasis
13 added). FCG hereby submits this Supplemental Direct Testimony and
14 Supplemental Exhibits No. MB-3 and MB-4 to reflect the levelized PGA
15 credit for tax savings to be applied each month during 2019 if the 2018
16 EADIT Agreement is approved by the Commission.

17 **Q. WHAT IS THE LEVELIZED PGA TAX SAVINGS CREDIT TO BE**
18 **APPLIED EACH MONTH DURING THE PROJECTION PERIOD IF**
19 **THE 2018 EADIT AGREEMENT IS APPROVED?**

20 A. The levelized PGA tax savings credit is 0.790 cents per therm. As
21 shown on Supplemental Exhibit MB-3, the monthly credit was
22 calculated by dividing the 2018 amortization impact of \$304,943 set
23 forth in the 2018 EADIT Agreement by FCG's estimated total annual
24 gas purchases by Sales Customers (38,603,220 therms) during the
25 Projection Period as set forth in Exhibit MB-2, Schedule E-1 provided
26 with FCG's original PGA Factor filing submitted on August 20, 2018.

1 **Q. HOW WILL THE LEVELIZED PGA TAX SAVINGS CREDIT BE**
2 **APPLIED TO CUSTOMERS' BILLS IF THE 2018 EADIT**
3 **AGREEMENT IS APPROVED?**

4 A. As explained in my direct testimony submitted on August 20, 2018,
5 FCG has requested approval of a maximum levelized PGA Factor, or
6 cap, based on the Company's projected winter cost of gas. If approved
7 by the Commission, this would be the maximum PGA Factor that FCG
8 may charge its Sales Customers during the Projection Period.
9 However, as explained in my Direct Testimony, the actual PGA rate
10 charged to Sales Customer may be flexed downward based market
11 conditions and to reduce the potential for large over-recoveries during
12 the summer season when natural gas prices are typically lower.

13 If the PGA tax savings credit is applied to the maximum levelized
14 PGA Factor, customers may not realize the full benefit of the 2018
15 amortization amount set forth in the 2018 EADIT Agreement because
16 FCG may not necessarily be charging the maximum levelized PGA
17 Factor in any particular month (*i.e.*, the actual PGA rate charged to
18 Sales Customers may be less than the maximum levelized PGA Factor
19 net of the PGA tax savings credit). To address this concern, FCG
20 proposes to apply the levelized PGA credit of 0.790 cents per therm to
21 the actual monthly PGA Factor to arrive at a net PGA rate to be
22 charged to Sales Customers each month during 2019. This approach
23 will ensure that Sales Customers receive the entire benefit of the 2018

1 EADIT Agreement during 2019. Supplemental Exhibit MB-4 is a *pro*
2 *forma* PGA tariff page that reflects the application of the PGA tax
3 savings credit to the actual monthly Factor to be charged to Sales
4 Customers each month during 2019 if the 2018 EADIT Agreement is
5 approved.

6 **Q. DOES THE PROPOSED PGA TAX SAVINGS CREDIT HAVE ANY**
7 **IMPACT ON THE CALCULATION OF THE 2019 MAXIMUM**
8 **LEVELIZED PGA FACTOR?**

9 A. No. The proposed PGA tax savings credit is calculated separately and
10 not included in FCG's calculation of the 2019 maximum levelized PGA
11 Factor. As explained above, if the 2018 EADIT Agreement is approved,
12 the proposed PGA tax savings credit will be applied to the actual
13 monthly PGA rate, not the 2019 maximum levelized PGA Factor. As
14 such, the proposed PGA tax savings credit will have no impact on the
15 calculation of the 2019 maximum levelized PGA Factor currently
16 pending before the Commission.²

17 **Q. IS FCG REQUESTING ANY ADDITIONAL RELIEF IN THIS**
18 **PROCEEDING AS IT PERTAINS TO THE PROPOSED PGA TAX**
19 **SAVINGS CREDIT?**

20 A. Yes. Consistent with the requirements of the 2018 EADIT Agreement,
21 FCG requests that the Commission's order approving the 2019
22 maximum levelized PGA Factor include a provision that authorizes and

² Similarly, if the Commission declines to adopt the 2018 EADIT Agreement, it will have no impact on the 2019 maximum levelized PGA Factor that is the subject of this proceeding.

FCG Supplemental Direct Testimony
Miguel Bustos

1 directs FCG to apply the proposed levelized PGA credit of 0.790 cents
2 per therm to the PGA rate charged to Sales Customers during the
3 period January 2019 through December 2019, as set forth in *pro forma*
4 tariff attached as Supplemental Exhibit MB-4, if the 2018 EADIT
5 Agreement in Docket No. 20180154-GU is approved.

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

7 **A. Yes, it does.**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20180003-GU
PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP**

**Direct Testimony of
Geoffrey Alexander Wight
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Geoffrey A. Wight 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 a 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, 2017 through
10 December 31, 2017, as compared to the true-up amount previously
11 reported for that period which was based on six months actual and
12 six months estimated.

13 Q. Please state the actual amount of over/under recovery of the
14 Purchased Gas Adjustment for January 1, 2017 through December
15 31, 2017.

16 A. During January 2017 through December 2017, FPUC over-
17 recovered \$896,689.

1 Q. How does this amount compare with the estimated true-up amount,
2 which was allowed by the Commission during the November 2017
3 hearing?

4 A. As recognized in Order No. PSC-2017-0419-FOF-GU, in Docket
5 No. 20170003-GU, FPUC had an anticipated over-recovery of
6 \$679,138, based upon six months of actual and six months of
7 projected data.

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

9 A. We prepared and pre-filed composite Exhibit GAW-1, containing
10 Schedule A-7, Final PGA Over/Under Recovery for the Period
11 January 2017 through December 2017.

12 Q. Does this conclude your testimony?

13 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 DOCKET NO. 20180003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3 (Actual/Estimated and Projections)

4 DIRECT TESTIMONY
5 OF GEOFFREY A. WIGHT
6 On behalf of Florida Public Utilities Company

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

8 A. My name is Geoffrey Alexander Wight. My business address is 1641
9 Worthington Road, Suite 220, West Palm Beach, FL 33409.

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

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

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

15 A. I graduated from the University of North Florida in 2014 with a BBA in
16 Finance and a BBA in Economics. I began my career at Tyco Integrated
17 Security in 2014 as a Financial Analyst. In 2015, I was employed by FPUC
18 and began working as a Business Planning Analyst, budgeting and forecasting
19 for the Electric Division. In 2017, I took a new role as a Senior Business
20 Planning Analyst primarily working on strategic planning and analyzing
21 capital investments. At the end of 2017, I moved into the Regulatory
22 Department as a Senior Regulatory Analyst focusing on revenue analytics for
23 the regulated business units and the PGA.

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

3 A. Yes.

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

5 A. Yes.

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

7 A. My testimony will establish the PGA “true-up” collection amount, based on
8 actual January 2017 through June 2018 data and projected July 2018 through
9 December 2019 data. My testimony will summarize the computations that are
10 contained in composite exhibit GAW-2 supporting the January through
11 December 2019 projected PGA recovery (cap) factor for the FPUC
12 consolidated gas division.

13 **Q. Which schedules have you included in your Exhibit GAW-2?**

14 A. The Company has previously filed True-Up schedules A-1, A-2, A-3, A-4, A-
15 5, A-6 and A-7 in this proceeding. Exhibit GAW-2, which is included with
16 my testimony, contains Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the
17 FPUC consolidated gas division. These schedules support the calculation of the
18 PGA recovery (cap) factor for January through December 2019.

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

20 A. The projection period is January through December 2019.

21 **Q. What is the appropriate final PGA true-up amount for the period**
22 **January through December 2017?**

23 A. As shown on Schedule E-4, the final PGA true-up amount for the period

1 January through December 2017 is an over-recovery of \$220,953 inclusive of
2 interest.

3 **Q. What is the projected PGA true-up amount for the period January**
4 **through December 2018?**

5 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
6 recovery of \$2,505,604 inclusive of interest, for the period January through
7 December 2018.

8 **Q. What is the total projected PGA true-up amount to be collected from or**
9 **refunded to customers for the period January through December 2019?**

10 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the
11 period January through December 2018 is \$2,726,557.

12 **Q. What is the appropriate PGA recovery (cap) factor for the period January**
13 **through December 2019?**

14 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 98.066¢ per
15 term for the period January through December 2019.

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

18 A. The PGA recovery (cap) factor should be effective for all meter readings
19 during the period of January 1, 2019 through December 31, 2019.

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

21 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 DOCKET NO. 20180003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3 (Actual/Estimated and Projections)

4 DIRECT TESTIMONY
5 OF KIRA LAKE

6 On behalf of Florida Public Utilities Company

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

8 A. My name is Kira Lake. My business address is 450 S. Charles Richard Beall
9 Blvd., DeBary, Florida 32713.

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

11 A. I am employed by Florida Public Utilities Company (FPUC or Company) as
12 Manager of Energy Logistics.

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

15 A. I graduated from Embry-Riddle Aeronautical University in 2003 with a
16 Bachelor's of Science degree in Air Traffic Management and in 2007 with a
17 Masters of Business Administration degree. I have been employed by FPUC
18 since 2007.

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 in the PGA Docket before?**

23 A. No, but I have testified previously in Electric and Gas Conservation Dockets.

24 **Q. What is the purpose of your testimony?**

1 A. My testimony will describe the Company's forecast of pipeline charges and
2 commodity costs of natural gas for 2019.

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

5 A. The purchases for the gas cost projection model are based on projected sales to
6 traditional non-transportation service customers. Florida Gas Transmission
7 Company's (FGT) FTS-1, FTS-2, FTS-3, NNTS-1 and ITS-1 effective charges
8 (including surcharges) and fuel rates, based on the prices from the FGT posted
9 rates, were used for the entire projection period. As is further explained
10 herein, the Company has also included costs related to expansion by our sister
11 utility, the Florida Division of Chesapeake Utilities Corporation (CFG), in
12 Escambia County. The expected costs of natural gas purchased by the
13 Company during the projection period were developed using actual prices paid
14 during relevant historical periods and the Henry Hub natural gas futures
15 pricing through the end of the projection period. The forecasts of the
16 commodity costs were then adjusted to reflect the unexpected potential market
17 increases in the projection period.

18 **Q. Please describe how the forecasts of the weighted average cost of gas**
19 **(WACOG) are developed for the projection period.**

20 A. The Company has forecasted the 2019-weighted average cost of gas using the
21 projected monthly pipeline demand costs, less the projected cost of capacity
22 temporarily relinquished to third parties, the projected pipeline usage and no-
23 notice costs and the projected supplier commodity costs. The weighted average

1 cost of gas also includes projected costs related to our purchased gas functions
2 and processes and a credit for the swing service rider. The sum of these costs is
3 then divided by the projected therm sales to the traditional non-transportation
4 customers resulting in the projected weighted average cost of gas, and
5 ultimately the PGA recovery (cap) factor, as shown on Schedule E-1. Capacity
6 shortfall, if any, would be satisfied by gas and capacity repackaged and
7 delivered by another FGT capacity holder. If other services become available
8 and it is economic to dispatch supplies under those services, the Company will
9 utilize those services as part of its portfolio.

10 **Q. Please describe any recent and additional planned expansion**
11 **opportunities.**

12 A. CFG recently expanded into Escambia County and is pursuing an opportunity
13 to reinforce and expand its distribution in the Auburndale area. FPUC is also
14 pursuing an opportunity to expand its distribution in Western Palm Beach
15 County. In accordance with Order PSC-2015-0321-PAA-GU, issued August
16 10, 2015, in Docket No. 20150117-GU, these costs have been allocated to both
17 entities.

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 with
5 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando
6 County as well as an interconnection to CFG's facilities for Gulfstream's
7 Baseball City Gate southward through Davenport and Haines City. Most
8 recently, CFG expanded into Escambia County and is currently serving
9 customers there.

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

12 A. Consistent with recent years, the modified cost allocation methodology and
13 revised purchased gas adjustment calculation approved by the Commission by
14 Order No. PSC-2015-0321-PAA-GU, issued August 10, 2015, has been
15 applied to allocate these costs to the Transitional Transportation Service (TTS)
16 pool customers. Following approval of the Swing Service Rider in Docket No.
17 20160085-GU, these costs have also been allocated to certain transportation
18 service customers who were not part of modified cost allocation methodology
19 approved in 2015.

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

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

1 the Swing Service Rider with this Commission. The Swing Service Rider
2 proposed that the allocation of all costs be expanded to include transportation
3 service customers on FPUC's system (i.e., customers who are not part of the
4 current PGA mechanism) as well as shippers on CFG's system that are not part
5 of the TTS pools. The Companies believe that these customers ultimately
6 should bear their fair portion of the intrastate capacity costs. However, the
7 Companies recognize that shippers for the larger classes of customers provide
8 a service under contracts that will likely need to be amended to adjust for the
9 revised cost allocations and systems need to be implemented to allow for
10 billing of these charges to transportation customers and/or shippers. This
11 petition was approved by Order No. PSC-2016-0422-TRF-GU, issued October
12 3, 2016.

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

14 A. As shown on Schedule E-1, the Company has reduced PGA costs of
15 \$5,322,722 attributable to the Swing Service Rider allocated to certain gas
16 transportation customers.

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

19 A. The Company compiled the actual throughput volumes, based on the most
20 recent 12-months usage data, for each affected transportation and sales rate
21 schedule to determine the percentage split between transportation and sales
22 service customers relative to the total throughput for the affected rate
23 schedules. The split for allocating the annual total intrastate and LDC-to-LDC

1 capacity costs of \$3.8 million is 70.20 percent (\$2.7 million) to transportation
2 customers and 29.80 percent (\$1.1 million) to sales customers. The
3 transportation customers' share of the \$2.7 million is then allocated to the
4 affected transportation rate schedules in proportion to each rate schedule's
5 share of the total throughput for the affected transportation rate schedules. The
6 costs allocated to each rate schedule are then divided by the rate schedule's
7 number of therms to calculate the cost recovery factor to be billed by rate
8 schedule directly to the transportation customers. Since the Company
9 recognized that implementation of the swing service rider could have a
10 significant financial impact on large volume customers, the Company
11 requested and received approval of a stepped implementation process, annually
12 applying a rate of 20 percent of the total allocation until 100 percent is reached
13 in five years. Therefore, the Company applied a rate of 60 percent this year to
14 the large volume customers.

15 **Q. Have the appropriate related costs and credits been included in the**
16 **Projections for 2019?**

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

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

- 1 A. Yes, included with our purchased gas costs are consulting expenses to assist in
2 the advancement of our PGA processes. Additionally, the Company has
3 included costs associated with IT consulting services to assist in updating a
4 software tool used by the Company to manage customer usage and assist in
5 determining the gas supply needs for the rate classes subject to the PGA.
6 These costs directly influence the Company's PGA factor and are appropriate
7 for recovery through the PGA clause.
- 8 **Q. Please explain how these costs were determined to be recoverable under**
9 **the PGA clause.**
- 10 A. The costs the Company has included are integrally related to the gas purchase
11 function and were not anticipated or included in the cost levels used to
12 establish the current base rates. These costs relate to the Company's
13 optimization of fuel supply in an effort to protect current fuel savings, and
14 directly benefit our customers. These costs have historically been allowed for
15 recovery through the PGA and are not being recovered through the
16 Companies' base rates.
- 17 **Q. What is the projection period for this filing?**
- 18 A. The projection period is January through December 2019.
- 19 **Q. Does this conclude your testimony?**
- 20 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

KANDI M. FLOYD

1
2
3
4
5
6 **Q.** Please state your name and business address.

7
8 **A.** My name is Kandi M. Floyd. My business address is 702 N.
9 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 Manager
14 of State Regulatory, having held that position since 2003.

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

18
19 **A.** I hold a B.A. in Business Administration from Saint Leo
20 University. From 1995 to 1997, I worked in a series of
21 positions within the Regulatory Affairs Department of
22 Tampa Electric Company. In 1998, I joined Peoples as a
23 Regulatory Coordinator in the Regulatory and Gas Supply
24 Department. In 2001, I became Peoples' Energy
25 Conservation/Regulatory Coordinator, and held that

1 position until assuming my current position in 2003.

2

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

5

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

10

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

13

14 **A.** Yes. I have caused to be prepared as Composite Exhibit
15 KMF-1 the following schedule with respect to the final
16 true-up for the period January 2017 through December 2017:
17 A-7 - Final Fuel Over/Under Recovery.

18

19 **Q.** What was Peoples' cost of gas to be recovered through the
20 PGA clause for the period January 2017 through December
21 2017?

22

23 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
24 purchased, adjusted for company use, was \$155,303,120.

25

1 Q. What was the amount of gas revenue collected for the
2 period January 2017 through December 2017?

3

4 A. The amount of gas revenue collected to cover the cost of
5 gas was \$151,348,695.

6

7 Q. What was the final true-up amount for the period January
8 2017 through December 2017?

9

10 A. The final true-up amount for the period, including
11 interest and adjustments, is an under-recovery of
12 \$3,924,649.

13

14 Q. Is this amount net of the estimated true-up for the period
15 January 2017 through December 2017, which was included in
16 the January 2018 through December 2018 PGA factor
17 calculation?

18

19 A. No. The final true-up net of the estimated true-up for
20 the period January 2017 through December 2017 is an over-
21 recovery of \$669,716.

22

23 Q. Is this the final under-recovery amount to be included in
24 the January 2019 through December 2019 projection?

25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

6

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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 other Cost Recovery filings as well as
4 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 2019 through December 2019
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 2017 through
9 December 2017?

10

11 **A.** The final PGA true-up amount for the year 2017 is an
12 over-recovery of \$669,716.

13

14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2018 through December
16 2018?

17

18 **A.** As shown on Schedule E-4, the estimated PGA true-up
19 amount for 2018 is an over-recovery of \$1,596,468.

20

21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be refunded during the period January 2019
23 through December 2019?

24

25 **A.** The total PGA true-up amount to be refunded in 2019 is

1 an over-recovery of \$2,266,183.

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 2019 through
11 December 2019.

12

13 **A.** All natural gas delivered through Peoples' distribution
14 system is currently received through three interstate
15 pipelines and one intrastate pipeline. Gas is delivered
16 through Florida Gas Transmission Company ("FGT"),
17 through Southern Natural Gas Company ("Southern"),
18 through Gulfstream Natural Gas System ("Gulfstream") and
19 through SeaCoast Gas Transmission ("SeaCoast").
20 Receiving gas supply through multiple upstream pipelines
21 provides valuable flexibility and reliability to serve
22 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 2019 through December 2019?

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 2019, 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 Natural Choice 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. How did you estimate the purchase price to be paid by
13 Peoples for each of its available sources of gas supply?

14

15 A. The price to be paid for natural gas is estimated based
16 on an evaluation of historical prices for gas delivered
17 to the FGT, Southern, and Gulfstream systems, futures
18 contracts as reported on the New York Mercantile
19 Exchange and forecasts of market prices for the
20 projection period of January 2019 through December 2019.
21 These prices are then adjusted to reflect the potential
22 for implied volatility increases and unexpected and
23 unforeseen increases due to market forces particularly
24 in the monthly and daily markets for natural gas prices
25 in the projection period.

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

5
6 **A.** Schedule E-3, column (G) is a compilation of the annual
7 data that appears on Schedules E-3 (E) through (F) for
8 the year ending December 31, 2019. In Column (B),
9 "FGT" indicates that the volumes are to be purchased
10 from third party suppliers for delivery via FGT
11 interstate pipeline transportation. "SONAT" indicates
12 that the volumes are to be purchased from a third party
13 supplier for delivery via Southern interstate pipeline
14 transportation. "GULFSTREAM" indicates that the volumes
15 are to be purchased from a third party supplier for
16 delivery via Gulfstream interstate pipeline
17 transportation. "SEACOAST" indicates the volumes are to
18 be purchased from a third party supplier for delivery
19 via SeaCoast intrastate pipeline transportation. "SABAL
20 TRAIL" indicates volumes that Peoples projects to
21 purchase for delivery via Sabal Trail interstate
22 pipeline transportation. "THIRD PARTY" indicates that
23 the volumes are to be purchased directly from various
24 third party suppliers for delivery into FGT, Southern,
25 Gulfstream or Sabal Trail.

1 In Column (C), "PGS" means the purchase will be for
2 Peoples' system supply and will become part of Peoples'
3 total WACOG. None of the costs of gas or transportation
4 for end-use purchases made by end-use customers of
5 Peoples are included in Peoples' WACOG. In Column (D),
6 purchases of pipeline transportation services from FGT
7 under Rate Schedules FTS-1, FTS-2, and FTS-3 are split
8 into two components, commodity (or "usage") and demand
9 (or "reservation"). Both Peoples and end-users pay the
10 usage charge based on the actual amount of gas
11 transported. The FTS-1, FTS-2, and FTS-3 commodity
12 costs shown include all related transportation charges
13 including usage, fuel and ACA charges. The FTS-1, FTS-
14 2, and FTS-3 demand component is a fixed charge based on
15 the maximum daily quantity of FTS-1, FTS-2, and FTS-3
16 firm transportation capacity reserved. Similarly, the
17 transportation rates of Southern and Gulfstream also
18 consist of two components, a usage charge and a
19 reservation charge, and Sabal Trail and SeaCoast
20 consists of one component, a demand charge. Individual
21 Transportation Service customers reimburse Peoples or
22 directly pay the upstream pipeline for all pipeline
23 reservation charges associated with the transportation
24 capacity that Peoples reserves and uses on their behalf.
25

1 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
2 (or "NNTS") means FGT's no notice service provided to
3 Peoples on a fixed charge basis for use when Peoples'
4 actual use exceeds scheduled quantities. "SWING
5 SERVICE" means the demand and commodity component of the
6 cost of third party supplies purchased to meet Peoples
7 "swing" requirements for supply that fluctuate on a day-
8 to-day basis. Column (E) shows the annual quantity in
9 therms of gas purchased by Peoples for each category of
10 system supply.

11 Column (F) shows the gas purchased by end-users for
12 transportation. Column (G) is the total of Columns (E)
13 and (F) in each row. Columns (H), (I), (J) and (K) show
14 the corresponding third party supplier commodity costs,
15 pipeline transportation commodity costs, pipeline
16 transportation reservation costs, and other charges
17 (e.g., balancing charges), respectively. These costs
18 are determined using the actual amounts paid by Peoples.
19 In the case of end-user transportation, these costs are
20 reimbursed to Peoples or paid directly to FGT. All ACA
21 and fuel charges are included in the commodity costs in
22 Column (I) and, therefore, are not shown in Column (K).
23 Column (L) in each row is the sum of Columns (H), (I),
24 (J) and (K) divided by Column (G).
25

1 **Q.** Please explain the components of these schedules and the
2 assumptions that were made in developing the Company's
3 projections.

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

7
8 The costs associated with various categories or items
9 are shown on lines 1 through 14. Line 6 on Schedule E-1
10 includes legal expenses associated with various
11 interstate pipeline dockets such as tariff filings,
12 seasonal fuel filings and certification proceedings.
13 The volumes consumed for similar categories or items are
14 shown on lines 15 through 27, and the resulting
15 effective cost per therm rate for each similar category
16 or item is contained on lines 28 through 45. The data
17 shown on Schedule E-1 is calculated from Schedules E-3
18 (A) through (F) for the year ending December 31, 2019.

19
20 **Q.** What information is presented on Schedule E-1/R of
21 Composite Exhibit KMF-2?

22
23 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
24 months actual and five months estimated data for the
25 current period from January 2018 through December 2018

1 for all customer classes.

2

3 **Q.** What information is presented on Schedule E-2 of
4 Composite Exhibit KMF-2?

5

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

9

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

12

13 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the
14 calculation of the estimated true-up amount for the
15 January 2018 through December 2018 period. It is based
16 on actual data for seven months and projected data for
17 five months.

18

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

21

22 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical
23 data that includes the projected therm sales and numbers
24 of customers by customer class for the period from
25 January 2019 through December 2019.

1 **Q.** What is the appropriate cap factor for which Peoples
2 seeks approval?

3

4 **A.** The WACOG for which Peoples seeks approval as the annual
5 cap is a factor of \$1.02968 per therm as shown in
6 Schedule E-1. This annual cap will be applicable to all
7 rate classes.

8

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

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

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2

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

Docket No. 180003-GU
 Submitted for filing
 April 30, 2018

6

DIRECT TESTIMONY OF CHARLES A. SHOAF ON

7

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

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 2017 through December 2017.

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 2017 through December 2017.

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.

1 Final True-Up January 2017 - December 2017

2 Q. What were the total therm sales for the period January
3 2017 through December 2017?

4 A. Total therm sales were 867,473 therms.

5 Q. What were total therm purchases for the period January
6 2017 through December 2017?

7 A. Total therm purchases were 857,090.

8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2017 through December 2017?

10 A. The cost of gas purchased for January 2017 through
11 December 2017 was \$420,047.78.

12 Q. What was the amount of gas revenue collected for the
13 period January 2017 through December 2017?

14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$513,740.

16 Q. What is the total true-up provision for the period
17 January 2017 through December 2017?

18 A. The total true-up provision, including interest, is an
19 over-recovery of \$94,438.99 for the period.

20 Q. What is the amount of estimated true-up included for
21 January 2017 thru December 2017 in the January 2018
22 through December 2018 PGA factor calculation?

23 A. The amount of estimated true-up for the period January
24 thru December 2017 included in the January 2018 through
25 December 2018 PGA factor calculation was an over-

1 recovery of \$99,056.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2017 period to be included in the
4 January through December 2019 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2019 through December 2019
7 projections are \$4,617.01.

8 Q. Does this conclude your testimony?

9 A. Yes

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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2
3 In Re: Purchased Gas Recovery)
4 _____)

Docket No. 20180003-GU
Submitted for filing
August 20, 2018

5
6 DIRECT TESTIMONY OF ANDY SHOAF ON

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

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

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

14 Q. What is the purpose of your testimony?

15 A. My purpose is to submit known and estimated gas
16 costs and therm sales from January 1, 2018 through
17 December 31, 2018, used in developing the maximum twelve
18 month levelized purchased gas cost factor to be applied
19 to customer bills from January 1, 2019 through
20 December 31, 2019.

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

23 A. Yes, I have prepared and filed on August 20, 2018
24 Schedules E-1 through E-5.

25 Q. What Purchased Gas Cost Recovery Factor does

1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2019 through December 31, 2019?

3 A. 81.50 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 COMMISSIONER CLARK: Moving into exhibits.

2 MR. SCHRADER: Staff has compiled a
3 comprehensive exhibit list which includes the
4 prefiled exhibits attached to the witness'
5 testimony in this case. The list has been provided
6 to the parties, the Commissioners and the court
7 reporter. This list is marked as the first hearing
8 exhibit, and all other exhibits should be marked as
9 set forth in that comprehensive exhibit.

10 COMMISSIONER CLARK: Okay. Move in the list.

11 (Whereupon, Exhibit No. 1 was marked for
12 identification.)

13 (Whereupon, Exhibit Nos. 2-16 were marked for
14 identification.)

15 MR. SCHRADER: Staff will request that the
16 comprehensive exhibit list marked as Exhibit No. 1
17 be entered into the record.

18 COMMISSIONER CLARK: Make it so.

19 (Whereupon, Exhibit No. 1 was received into
20 evidence.)

21 MR. SCHRADER: Okay. Staff will request to
22 move Exhibits 2 through 16 into the record as set
23 forth in the comprehensive exhibit list.

24 COMMISSIONER CLARK: And so ordered.

25 (Whereupon, Exhibit Nos. 2-16 were received

1 into evidence.)

2 COMMISSIONER CLARK: Okay. Move to the
3 decision.

4 MR. SCHRADER: Because all parties are
5 proposing stipulations on all issues in this case
6 and are willing to waive briefs, staff will suggest
7 that the Commission could make a bench decision in
8 this case. If the Commission decides that a bench
9 addition is appropriate, staff will recommend that
10 the proposed stipulations on pages 5 through 8 of
11 the prehearing order be approved by the Commission,
12 noting that all parties approve the stipulations
13 except that OPC has taken no position on Issues 1
14 through 6.

15 COMMISSIONER CLARK: All right. Any questions
16 from any of the Commissioners?

17 Any concerns?

18 I will entertain a motion.

19 COMMISSIONER POLMANN: Mr. Chairman --

20 COMMISSIONER CLARK: I am sorry, Commissioner
21 Brown for a question.

22 COMMISSIONER BROWN: Thank you.

23 This is a question for legal. I am looking at
24 the prehearing order in this docket, the 03, and it
25 does not have an Issue 8.

1 MR. SCHRADER: Yeah, actually it was does. 8
2 was added after-the-fact, so it's actually out of
3 order, so there is 6 and then there is an 8. So 8
4 would be on page 7.

5 COMMISSIONER BROWN: Oh, it's misnumbered?

6 MR. SCHRADER: Yeah. It's -- yeah, there was
7 a comprehensive issue, so that was 7, so they broke
8 it out.

9 COMMISSIONER BROWN: Thank you for the
10 clarification.

11 COMMISSIONER CLARK: Commissioner Polmann.

12 COMMISSIONER POLMANN: Thank you, Commissioner
13 Brown for that clarification.

14 Mr. Chairman, if there are no other questions
15 or comments, I would move approval of Issues 1
16 through 8 as laid out in pages 5 through 8 of the
17 prehearing order.

18 COMMISSIONER BROWN: Second.

19 COMMISSIONER CLARK: We have a motion and
20 second to approve Issues 1 through 8.

21 Is there any discussion?

22 On the motion, all favor, say aye.

23 (Chorus of ayes.)

24 COMMISSIONER CLARK: Opposed?

25 (No response.)

1 COMMISSIONER CLARK: The motion is adopted.

2 All right. Any other matters to consider in
3 the 03 docket?

4 MR. SCHRADER: Staff proposes there are none.
5 Since the Commission made a bench decision,
6 post-hearing filings are not necessary. The final
7 order will be issued on November 26th, 2018.

8 COMMISSIONER CLARK: All right. No other
9 items, we will proceed to the 07 docket.

10 (Proceedings concluded at 1:47 P.M.)

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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 14th day of November, 2018.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020