



**GUNSTER**  
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August 6, 2021

**E-Portal**

Mr. Adam Teitzman  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 20210003-GU - Purchased gas adjustment (PGA) true-up.**

Dear Mr. Teitzman:

Attached for electronic filing, please find the Petition of Florida Public Utilities for Approval of PGA Factor for 2022, along with the Testimony and Exhibit DMC-2 of Derrick Craig, and the Testimony of Jeffrey Bates, on behalf of the Company.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

MEK  
cc: Parties of Record

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Purchased Gas Adjustment )  
(PGA) True-Up )  
\_\_\_\_\_ )

Docket No. 20210003-GU

Filed: August 6, 2021

**PETITION FOR APPROVAL OF THE PURCHASED GAS (PGA)  
FACTOR FOR FLORIDA PUBLIC UTILITIES COMPANY**

Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade (together “FPUC” or “the Company”) hereby files this petition for approval of the Purchased Gas Adjustment (“PGA”) factor to be applied for service to be rendered by the Company during the projected period of January 1, 2022 through December 31, 2022. In support of this Petition, FPUC states:

1. The Company is a natural gas utility with its principal office located at:

Florida Public Utilities Company  
208 Wildlight Avenue,  
Yulee, Florida 32097

2. The name and mailing address of the persons authorized to receive notices are:

Beth Keating, Esq  
Gunster, Yoakley & Stewart, P.A.  
215 S. Monroe St., Suite 601  
Tallahassee, FL 32301-1839  
(850) 521-1706  
bkeating@gunster.com

Mike Cassel, AVP/Regulatory and  
Governmental Affairs  
Florida Public Utilities Company  
208 Wildlight Avenue,  
Yulee, Florida 32097  
mcassel@fpuc.com

3. Pursuant to the requirements in this docket, FPUC, concurrently with the filing of this petition, files testimony and Schedules E-1, E-1R, E-2, E-3, E-4, and E-5 (Exhibit DMC-2) for its consolidated gas division to support the calculation of the PGA recovery (cap) factor for the period January 2022 through December 2022.
4. As indicated in the testimony of Mr. Derrick Craig, FPUC has calculated its total net true-up (including interest and applicable regulatory assessment fees) for the period

January 2020 through December 2020 to be an under-recovery of \$3,199,135, inclusive of interest.

5. Schedule E-4 also shows the projected true-up for the current period January 2021 through December 2021 is an over-recovery of \$5,120,126 inclusive of interest.
6. The total net true-up as shown on Schedule E-4 is an over-recovery of \$1,920,991 to be refunded during the projected period.
7. Consistent with the prior year, the Company's projected period costs include amounts associated with anticipated capacity costs for extending service to unserved areas. In addition, the Company has included costs allocated from the Company's sister utility, the Florida Division of Chesapeake Utilities Corporation, in accordance with Order PSC-2015-0321-PAA-GU, issued August 10, 2015, in Docket No. 20150117-GU. These costs are reflected in Schedules E-1 and E-3, which are incorporated in composite Exhibit DMC-2 to the Direct Testimony of Mr. Craig.
8. The Company has forecasted the 2022 weighted average cost of gas using the projected monthly pipeline demand costs, less the projected cost of capacity temporarily relinquished to third parties, the projected pipeline usage and no-notice costs, and the projected supplier commodity costs, while also incorporating projected costs associated with the Company's purchased gas functions. Consistent with Commission Order No. PSC-2016-0422-TRF-GU, a portion of the intrastate capacity costs is now allocated to certain transportation service customers outside the PGA, which has resulted in a decrease to the costs to be allocated to customers subject to the PGA. As explained in the testimony of Company witness Jeffrey Bates, the sum of the costs to be allocated through the PGA mechanism is then divided by projected therm sales to traditional, non-transportation service customers.

9. In calculating the costs to be allocated, the Company has included costs for outside consulting expenses associated with the ongoing review and modification to the Company's PGA and capacity cost allocation process. The costs included are directly tied to the gas purchase function of the Company and were not otherwise contemplated in the Company's last rate case.
10. Based on the estimated therm purchases for resale during the projected period, Schedule E-1 reflects that the maximum purchased gas cost recovery factor is 105.04¢ per therm. This rate includes not only the projected cost of gas purchased, but also the prior period true-up and revenue tax factors.

WHEREFORE, FPUC respectfully requests that the Commission enter its Order approving the Company's proposed PGA cost recovery factor cap of 105.04 cents per therm to be applied to customer's bills for the period January 2022 through December 2022.

RESPECTFULLY SUBMITTED this 6th day of August, 2021.



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Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706  
*Attorneys for Florida Public Utilities Company*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FPUC's Petition for Approval of PGA Factor, in Docket No. 20210003-GU, along with the Testimony and Exhibit DMC-2 of Derrick Craig and the Testimony of Jeffrey Bates, have been furnished by electronic mail to the following parties of record this 6th day of August, 2021:

Florida Public Utilities Company Mike Cassel 208 Wildlight Ave. Yulee FL 32097 <a href="mailto:mcassel@fpuc.com">mcassel@fpuc.com</a>	MacFarlane Ferguson Law Firm Andrew Brown/Thomas R. Farrior P.O. Box 1531 Tampa, FL 33601-1531 <a href="mailto:AB@macfar.com">AB@macfar.com</a> <a href="mailto:trf@macfar.com">trf@macfar.com</a>
Stefanie-Jo Osborn, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 <a href="mailto:sosborn@psc.state.fl.us">sosborn@psc.state.fl.us</a>	Office of Public Counsel Richard Gentry/Patricia A. Christensen c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee FL 32399-1400 <a href="mailto:christensen.patty@leg.state.fl.us">christensen.patty@leg.state.fl.us</a> <a href="mailto:gentry.richard@leg.state.fl.us">gentry.richard@leg.state.fl.us</a>
Peoples Gas System Paula Brown/Kandi Floyd/Karen Bramley P.O. Box 111 Tampa, FL 33601-0111 <a href="mailto:regdept@tecoenergy.com">regdept@tecoenergy.com</a> <a href="mailto:kfloyd@tecoenergy.com">kfloyd@tecoenergy.com</a> <a href="mailto:KLBramley@tecoenergy.com">KLBramley@tecoenergy.com</a>	St. Joe Natural Gas Company, Inc. Andy Shoaf Debbie Stitt P.O. Box 549 Port St. Joe, FL 32457-0549 <a href="mailto:Andy@stjoegas.com">Andy@stjoegas.com</a> <a href="mailto:dstitt@stjoegas.com">dstitt@stjoegas.com</a>
Christopher T. Wright Fla. Auth. House Counsel No. 1007055 Florida Power & Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 <a href="mailto:Christopher.Wright@fpl.com">Christopher.Wright@fpl.com</a>	

  
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1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20210003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF DERRICK M. CRAIG

6                                   On behalf of Florida Public Utilities Company

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

8   A.     My name is Derrick M. Craig. My business address is 208 Wildlight Ave,  
9           Yulee, FL 32097.

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

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

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

15 A.     I received a Bachelor of Electrical Engineering degree from the Georgia  
16           Institute of Technology 1991 and a Masters of Business Administration from  
17           the Darden Graduate School of Business (University of Virginia) in 1997. I  
18           have worked in various engineering and financial analysis roles for several  
19           utilities, including Baltimore Gas and Electric, Oglethorpe Power Company  
20           and Southern Company. I have been in my current position as Senior  
21           Regulatory Analyst with Florida Public Utilities Company (FPUC) since April  
22           2019. My responsibilities include the fulfillment of regulatory activities for  
23           FPUC, ranging from regulatory analysis to periodic filings (Purchased Gas  
24           Adjustment, Swing Service, and the Gas Reliability Infrastructure Program)

1 before the Florida Public Service Commission.

2 **Q. Are you familiar with the Purchased Gas Adjustment (PGA) clause of the**  
3 **Company?**

4 A. Yes.

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

6 A. Yes.

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

8 A. My testimony will establish the PGA “true-up” collection amount, based on  
9 actual January 2020 through June 2021 data and projected July 2021 through  
10 December 2022 data. My testimony will summarize the computations that are  
11 contained in composite exhibit DMC-2 supporting the January through  
12 December 2022 projected PGA recovery (cap) factor for the FPUC  
13 consolidated gas division.

14 **Q. Which schedules have you included in your Exhibit DMC-2?**

15 A. The Company has previously filed True-Up schedules A-1, A-2, A-3, A-4, A-  
16 5, A-6 and A-7 in this proceeding. Exhibit DMC-2, which is included with  
17 my testimony, contains Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the  
18 FPUC consolidated gas division. These schedules support the calculation of the  
19 PGA recovery (cap) factor for January through December 2022.

20 **Q. Were these schedules completed by you or under your supervision?**

21 A. Yes, these schedules were completed by me.

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

23 A. The projection period is January through December 2022.

1 **Q. What is the appropriate final PGA true-up amount for the period**  
2 **January through December 2020?**

3 A. As shown on Schedule E-4, the final PGA true-up amount for the period  
4 January through December 2020 is an under-recovery of \$3,199,135 inclusive  
5 of interest.

6 **Q. What is the projected PGA true-up amount for the period January**  
7 **through December 2021?**

8 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-  
9 recovery of \$5,120,126 inclusive of interest, for the period January through  
10 December 2021.

11 **Q. What is the total projected PGA true-up amount to be collected from or**  
12 **refunded to customers for the period January through December 2022?**

13 A. As shown on Schedule E-4, the total net over-recovery to be refunded for the  
14 period January through December 2022 is \$1,920,991.

15 **Q. What is the appropriate PGA recovery (cap) factor for the period January**  
16 **through December 2022?**

17 A. As shown on Schedule E-1, the PGA recovery (cap) factor is **105.04¢** per  
18 therm for the period January through December 2022.

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

21 A. The PGA recovery (cap) factor should be effective for all meter readings  
22 applying to the period of January 1, 2022 through December 31, 2022.

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



1 A. Yes.





COMPANY:		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT											SCHEDULE E-2	
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2021 THROUGH JUNE 2021 ESTIMATED JULY 2021 THROUGH DECEMBER 2021												
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL	
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
<b>TRUE-UP CALCULATION</b>														
1	PURCHASED GAS COST	\$1,408,656	\$766,286	\$815,427	\$627,921	\$705,544	\$189,107	\$867,610	\$902,323	\$912,510	\$912,344	\$1,217,215	\$1,705,364	\$11,030,306
2	TRANSPORTATION COST	\$2,919,343	\$2,936,788	\$2,952,429	\$2,898,370	\$2,595,006	\$2,511,395	\$1,317,308	\$1,324,401	\$1,307,125	\$1,419,049	\$1,762,519	\$1,798,861	\$25,742,594
3	TOTAL	\$4,327,999	\$3,703,075	\$3,767,856	\$3,526,290	\$3,300,550	\$2,700,502	\$2,184,918	\$2,226,724	\$2,219,635	\$2,331,393	\$2,979,734	\$3,504,225	\$36,772,900
4	FUEL REVENUES (NET OF REVENUE TAX)	\$5,523,452	\$4,611,773	\$4,264,894	\$4,335,157	\$3,715,824	\$2,942,729	\$2,080,837	\$2,118,818	\$2,109,903	\$2,222,374	\$2,835,596	\$3,307,695	\$40,069,053
5	TRUE-UP - (COLLECTED) OR REFUNDED	\$151,951	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$151,946	\$1,823,357
6	FUEL REVENUE APPLICABLE TO PERIOD	\$5,675,403	\$4,763,719	\$4,416,840	\$4,487,103	\$3,867,770	\$3,094,675	\$2,232,783	\$2,270,764	\$2,261,849	\$2,374,320	\$2,987,542	\$3,459,641	\$41,892,410
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	\$1,347,405	\$1,060,644	\$648,984	\$960,813	\$567,220	\$394,173	\$47,865	\$44,040	\$42,214	\$42,927	\$7,808	(\$44,584)	\$5,119,510
8	INTEREST PROVISION - THIS PERIOD	(\$54)	\$14	\$39	\$49	\$67	\$77	\$79	\$76	\$73	\$69	\$66	\$61	\$616
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	(\$1,375,781)	(\$180,381)	\$728,331	\$1,225,408	\$2,034,324	\$2,449,665	\$2,691,970	\$2,587,968	\$2,480,138	\$2,370,480	\$2,261,530	\$2,117,458	(\$1,375,781)
10	TRUE-UP COLLECTED OR (REFUNDED)	(\$151,951)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$151,946)	(\$1,823,357)
10a	FLEX RATE REFUND (if applicable)													
11	TOTAL ESTIMATED/ACTUAL TRUE-UP	(\$180,381)	\$728,331	\$1,225,408	\$2,034,323	\$2,449,665	\$2,691,970	\$2,587,968	\$2,480,138	\$2,370,480	\$2,261,530	\$2,117,458	\$1,920,989	
<b>INTEREST PROVISION</b>														
12	BEGINNING TRUE-UP	(\$1,375,781)	(\$180,381)	\$728,331	\$1,225,408	\$2,034,324	\$2,449,665	\$2,691,970	\$2,587,968	\$2,480,138	\$2,370,480	\$2,261,530	\$2,117,458	\$19,391,109
13	ENDING TRUE-UP BEFORE INTEREST	(\$180,327)	\$728,317	\$1,225,369	\$2,034,274	\$2,449,598	\$2,691,893	\$2,587,889	\$2,480,062	\$2,370,407	\$2,261,461	\$2,117,392	\$1,920,928	\$22,687,261
14	TOTAL (12+13)	(\$1,556,109)	\$547,935	\$1,953,700	\$3,259,682	\$4,483,923	\$5,141,558	\$5,279,859	\$5,068,030	\$4,850,545	\$4,631,940	\$4,378,922	\$4,038,385	\$42,078,370
15	AVERAGE	(\$778,054)	\$273,968	\$976,850	\$1,629,841	\$2,241,961	\$2,570,779	\$2,639,929	\$2,534,015	\$2,425,272	\$2,315,970	\$2,189,461	\$2,019,193	\$21,039,185
16	INTEREST RATE - FIRST DAY OF MONTH	0.09%	0.07%	0.06%	0.04%	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.07%	0.06%	0.04%	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	
18	TOTAL	0.16%	0.13%	0.10%	0.08%	0.07%	0.07%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	
19	AVERAGE	0.080%	0.065%	0.050%	0.040%	0.035%	0.035%	0.040%	0.040%	0.040%	0.040%	0.040%	0.040%	
20	MONTHLY AVERAGE	0.007%	0.005%	0.004%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	0.003%	
21	INTEREST PROVISION	(\$54)	\$14	\$39	\$49	\$67	\$77	\$79	\$76	\$73	\$69	\$66	\$61	\$616

COMPANY:		PURCHASED GAS ADJUSTMENT TRANSPORTATION PURCHASES SYSTEM SUPPLY AND END USE									SCHEDULE E-3			
ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2022 THROUGH DECEMBER 2022														
MONTH	PURCHASED FROM	PURCHASED FOR	SCH TYPE	UNITS SYSTEM SUPPLY	UNITS END USE	UNITS TOTAL PURCHASED	COMMODITY COST		DEMAND COST	OTHER CHARGES ACA/GRI/FUEL	TOTAL CENTS PER THERM			
							THIRD PARTY	PIPELINE						
JANUARY	VARIOUS	SYS SUPPLY	N/A	4,154,460	0	4,154,460	\$3,070,540	\$61,900	\$1,377,515	INCLUDED IN COST	108.557			
FEBRUARY	VARIOUS	SYS SUPPLY	N/A	3,631,500	0	3,631,500	\$2,649,441	\$59,756	\$1,287,999	INCLUDED IN COST	110.070			
MARCH	VARIOUS	SYS SUPPLY	N/A	3,151,690	0	3,151,690	\$2,201,278	\$57,789	\$1,373,587	INCLUDED IN COST	115.261			
APRIL	VARIOUS	SYS SUPPLY	N/A	2,945,900	0	2,945,900	\$1,860,569	\$56,945	\$1,301,359	INCLUDED IN COST	109.266			
MAY	VARIOUS	SYS SUPPLY	N/A	2,517,510	0	2,517,510	\$1,562,681	\$55,188	\$978,796	INCLUDED IN COST	103.144			
JUNE	VARIOUS	SYS SUPPLY	N/A	2,208,480	0	2,208,480	\$1,377,870	\$53,922	\$915,532	INCLUDED IN COST	106.287			
JULY	VARIOUS	SYS SUPPLY	N/A	1,905,540	0	1,905,540	\$1,194,913	\$52,680	\$930,230	INCLUDED IN COST	114.289			
AUGUST	VARIOUS	SYS SUPPLY	N/A	1,945,420	0	1,945,420	\$1,220,519	\$52,843	\$930,015	INCLUDED IN COST	113.260			
SEPTEMBER	VARIOUS	SYS SUPPLY	N/A	1,934,930	0	1,934,930	\$1,211,956	\$52,800	\$915,121	INCLUDED IN COST	112.659			
OCTOBER	VARIOUS	SYS SUPPLY	N/A	2,025,830	0	2,025,830	\$1,272,419	\$53,172	\$1,018,380	INCLUDED IN COST	115.704			
NOVEMBER	VARIOUS	SYS SUPPLY	N/A	2,603,360	0	2,603,360	\$1,649,825	\$55,541	\$1,340,764	INCLUDED IN COST	117.008			
DECEMBER	VARIOUS	SYS SUPPLY	N/A	3,591,880	0	3,591,880	\$2,310,852	\$59,585	\$1,372,894	INCLUDED IN COST	104.216			
				<b>TOTAL</b>			32,616,500	0	32,616,500	\$21,582,863	\$672,120	\$13,742,191		110.365

COMPANY: <b>FLORIDA PUBLIC UTILITIES COMPANY</b>		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2022 THROUGH DECEMBER 2022				SCHEDULE E-4
		PRIOR PERIOD: JANUARY 2020 THROUGH DECEMBER 2020			CURRENT PERIOD: JANUARY 2021 THROUGH DECEMBER 2021	(5)  (3)+(4) COMBINED TOTAL TRUE-UP
		(1)  SIX MONTHS ACTUAL PLUS SIX MONTHS PROJECTED	(2)  ACTUAL	(3)  (2) - (1) DIFFERENCE	(4)  SIX MONTHS ACTUAL PLUS SIX MONTHS PROJECTED	
1	TOTAL THERM SALES (\$)	\$33,576,410	\$35,099,587	\$1,523,177	\$41,892,410	\$43,415,587
2	TRUE-UP PROVISION FOR THE PERIOD OVER/(UNDER) COLLECTION (\$)	\$926,391	(\$2,271,917)	(\$3,198,308)	\$5,119,510	\$1,921,201
3	INTEREST PROVISION FOR THE PERIOD (\$)	\$12,173	\$11,346	(\$827)	\$616	(\$210)
4	END OF PERIOD TOTAL NET TRUE-UP (\$)	\$938,564	(\$2,260,571)	(\$3,199,135)	\$5,120,126	\$1,920,991
TOTAL TRUE-UP DOLLARS - OVER/(UNDER) RECOVERY						\$1,920,991
PROJECTED THERM SALES FOR JANUARY 2022 - DECEMBER 2022						32,604,186
CENTS PER THERM NECESSARY TO REFUND OVERRECOVERY / (COLLECT UNDERRECOVERY)						5.892

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY													PURCHASED GAS ADJUSTMENT	SCHEDULE E-5
													THERM SALES AND CUSTOMER DATA	
													ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2022 THROUGH DECEMBER 2022	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total	
<b>PGA COST</b>														
1	Commodity costs	\$3,070,540	\$2,649,441	\$2,201,278	\$1,860,569	\$1,562,681	\$1,377,870	\$1,194,913	\$1,220,519	\$1,211,956	\$1,272,419	\$1,649,825	\$2,310,852	\$21,582,863
2	Transportation costs	\$3,034,291	\$2,942,631	\$3,026,252	\$2,953,180	\$2,628,860	\$2,564,330	\$2,577,786	\$2,577,734	\$2,562,797	\$2,666,428	\$2,991,181	\$3,027,364	\$33,552,834
3	Hedging costs (financial settlement)													
5	Other	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,867	\$44,858	\$538,394
6	Total	\$6,149,698	\$5,636,939	\$5,272,397	\$4,858,616	\$4,236,408	\$3,987,067	\$3,817,566	\$3,843,120	\$3,819,620	\$3,983,714	\$4,685,873	\$5,383,074	\$55,674,091
<b>PGA THERM SALES</b>														
7	Residential	1,703,329	1,488,915	1,292,193	1,207,818	1,032,179	905,477	781,271	797,622	793,321	830,590	1,067,378	1,472,671	13,372,764
8	Commercial	2,451,131	2,142,585	1,859,497	1,738,081	1,485,330	1,303,003	1,124,269	1,147,798	1,141,609	1,195,240	1,535,982	2,119,209	19,243,734
9	Total	4,154,460	3,631,500	3,151,690	2,945,899	2,517,509	2,208,480	1,905,540	1,945,420	1,934,930	2,025,830	2,603,360	3,591,880	32,616,498
<b>PGA REVENUES</b>														
10	Residential	1,849,082	1,638,849	1,489,388	1,319,737	1,064,632	962,403	892,907	903,384	893,749	961,028	1,248,914	1,534,766	14,758,839
11	Commercial	2,660,873	2,358,346	2,143,266	1,899,135	1,532,032	1,384,921	1,284,916	1,299,993	1,286,128	1,382,943	1,797,216	2,208,565	21,238,334
12	Total	4,509,955	3,997,195	3,632,654	3,218,872	2,596,664	2,347,324	2,177,823	2,203,377	2,179,877	2,343,971	3,046,130	3,743,331	35,997,173
<b>NUMBER OF PGA CUSTOMERS</b>														
13	Residential	62,468	62,568	62,770	63,185	63,223	63,452	63,943	63,765	63,934	64,151	64,451	64,718	762,628
14	Commercial	4,071	4,071	4,071	4,097	4,079	4,084	4,083	4,085	4,091	4,064	4,114	4,117	49,027
50	Total	66,539	66,639	66,841	67,282	67,302	67,536	68,026	67,850	68,025	68,215	68,565	68,835	811,655

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20210003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF JEFFREY B BATES

6                                   On behalf of Florida Public Utilities Company

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

8   A.     My name is Jeffrey Bates. My business address is 331 W. Central Ave, Suite  
9           200, Winter Haven, FL 33880.

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

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

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

15 A.     I graduated from Delaware State University in 1994 with a Bachelor’s of  
16           Science degree in Accounting. I graduated from Wilmington University in  
17           1999 with a Masters of Business Administration. I have been employed by  
18           FPUC since January of 1996.

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

21 A.     Yes.

22 **Q.    Have you ever testified before the Florida Public Service Commission  
23           (“FPSC”)?**

24 A.     Yes.



1 **Q. Are you sponsoring any Exhibits in this case?**

2 A. No. Numerical references made in my testimony relate to Exhibit DMC-2  
3 being sponsored by Derrick Craig.

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

6 A. The purchases for the gas cost projection model are based on projected sales to  
7 traditional non-transportation service customers. Florida Gas Transmission  
8 Company's ("FGT") FTS-1, FTS-2, FTS-3, NNTS-1, and ITS-1 as well as  
9 Southern Natural Gas ("SONAT") and the Florida Southeast Connection  
10 ("FSC") effective charges (including surcharges) and fuel rates, based on the  
11 prices from the FGT and SONAT posted rates and FSC rates from a precedent  
12 agreement. These were used for the entire projection period. As is further  
13 explained herein, the Company has also included costs related to the various  
14 expansion projects in the counties of Palm Beach, Polk and Nassau. FPUC has  
15 entered into an Asset Management Agreement ("AMA") with Emera Energy to  
16 help facilitate the delivery of natural gas in the northeast division.  
17 Additionally, the company has included costs related to compressed natural gas  
18 which is used to bring supply to areas as a virtual pipeline for emergency and  
19 planned services. The expected costs of natural gas purchased by the Company  
20 during the projection period were developed using actual prices paid during  
21 relevant historical periods and the Henry Hub natural gas futures pricing  
22 through the end of the projection period. The forecasts of the commodity

1 costs were then adjusted to reflect the unexpected potential market increases in  
2 the projection period.

3 **Q. Please describe how the forecasts of the weighted average cost of gas are**  
4 **developed for the projection period.**

5 A. The Company has forecasted the 2022-weighted average cost of gas using the  
6 projected monthly pipeline demand costs, less the projected cost of capacity  
7 temporarily relinquished to third parties, the projected pipeline usage and no-  
8 notice costs and the projected supplier commodity costs. The weighted average  
9 cost of gas also includes projected costs related to our purchased gas functions  
10 and anticipated a credit for the swing service rider. The sum of these costs are  
11 then divided by the projected therm sales to the traditional non-transportation  
12 customers resulting in the projected weighted average cost of gas and  
13 ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.  
14 Capacity shortfall if any, would be satisfied by gas and capacity repackaged  
15 and delivered by another FGT or SONAT capacity holder. If other services  
16 become available and it is economic to dispatch supplies under those services,  
17 the Company will utilize those services as part of its portfolio.

18 **Q. Are the pipeline capacity and supply costs associated with expansions**  
19 **appropriate for recovery in the PGA docket?**

20 A. Yes. Historically, the Commission has allowed recovery, through the clause, of  
21 upstream transmission pipeline capacity, transportation and related supply  
22 costs associated with service expansions to new areas.

1 **Q. Did you include costs of other expansions or interconnects related to**  
2 **Florida Division of Chesapeake Utilities (CFG) in the calculations of your**  
3 **true-up and projected amounts?**

4 A. Yes. There is a Local Distribution Company (“LDC”) to LDC interconnect  
5 with TECO/PGS and CFG for pressure stabilization of CFG’s system in  
6 Hernando County. There is also an interconnection to CFG’s facilities for  
7 Gulfstream’s Baseball City Gate southward through Davenport and Haines  
8 City as well as the expansion into Escambia County. There is an  
9 interconnection to CFG’s facilities from a new Gulfstream gate station in  
10 Auburndale. Finally, there is an expansion project in Winter Haven built to  
11 serve CFG including a new large industrial customer. It is designed for future  
12 industrial growth in the region, reinforces the Winter Haven distribution  
13 system, replaces high maintenance facilities and reducing O&M.

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

16 A. Consistent with the prior years, the modified cost allocation methodology and  
17 revised purchased gas adjustment calculation approved by the Commission by  
18 Order No. PSC-2015-0321-PAA-GU, issued August 10, 2015, had been  
19 applied to allocate these costs to the Transitional Transportation Service (TTS)  
20 pool customers, until the approval of the Swing Service Rider in 2016, which  
21 allocates these costs to certain transportation service customers who were not  
22 part of modified cost allocation methodology approved in 2015.

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

1 A. On April 11, 2016, Docket No. 20160085-GU, Florida Public Utilities, CFG,  
2 Florida Public Utilities Indiantown and Ft. Meade Divisions (the Companies)  
3 filed a joint petition for approval of the Swing Service Rider with this  
4 Commission. The Swing Service Rider proposed that the allocation of all  
5 costs be expanded to include transportation service customers on FPUC's  
6 system (i.e., customers who are not part of the current PGA mechanism) as  
7 well as shippers on CFG's system that are not part of the TTS pools. The  
8 Companies believe that these customers ultimately should bear their fair  
9 portion of the intrastate capacity costs. However, the Companies recognize that  
10 shippers for the larger classes of customers provide a service under contracts  
11 that will likely need to be amended to adjust for the revised cost allocations  
12 and systems need to be implemented to allow for billing of these charges to  
13 transportation customers and/or shippers. This petition was approved  
14 September 2016, Order No. PSC-2016-0422-TRF-GU.

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

16 A. As shown on Schedule E-1, the Company has reduced PGA costs of  
17 \$19,676,917 attributable to the Swing Service Rider allocated to certain gas  
18 transportation customers.

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

21 A. The Company compiled the actual throughput volumes, based on the most  
22 recent 12-months usage data, for each affected transportation and sales rate  
23 schedule to determine the percentage split between transportation and sales

1 service customers relative to the total throughput for the affected rate  
2 schedules. The split for allocating the annual total intrastate and LDC-to-LDC  
3 capacity costs of \$19.1 million is 69.30 percent (\$13.2 million) to  
4 transportation customers and 30.70 percent (\$5.9 million) to sales customers.  
5 Then, the transportation customers' share of the \$13.2 million would be  
6 allocated to the affected transportation rate schedules in proportion to each rate  
7 schedule's share of the total throughput for the affected transportation rate  
8 schedules. The costs allocated to each rate schedule was then divided by the  
9 rate schedule's number of therms to calculate the cost recovery factor to be  
10 billed by rate schedule directly to the transportation customers. Since the  
11 Company recognized that implementation of the swing service rider could  
12 have a significant financial impact on large volume customers, the Company  
13 requested and received approval of a stepped implementation process, annually  
14 applying a rate of 20 percent of the total allocation until 100 percent is reached  
15 in five years. The Company applied a rate of 100 percent this year to the large  
16 volume customers.

17 **Q. Has there been an effect from the COVID-19 pandemic on the Florida**  
18 **Public Utilities Purchased Gas Adjustment costs?**

19 A. Yes. Per a June 11, 2021, jointly-filed motion referencing Docket No. 2020-  
20 0194, Florida Public Utilities informed the Commission of a settlement  
21 agreement between Florida Public Utilities and the Florida Office of Public  
22 Counsel. This settlement agreement, which was approved by the Commission  
23 on July 8, 2021, allows Florida Public Utilities to recover approximately \$2.1

1 million over the next two years in COVID-19 related incremental expenses.  
2 This recovery is to be achieved through the use of the Company's swing  
3 service rider and purchased gas adjustment recovery clause.  
4 Of this \$2.1 million in incremental expenses, approximately \$1.35 million was  
5 attributable to electric and approximately \$732k was attributable to natural gas  
6 customers. Utilizing the same allocation methodology used in the calculation  
7 of the swing service rider described above, 69.30% of this amount, or  
8 approximately \$507k, would be allocated to the transportation customers and,  
9 therefore, recovered through the use of the swing service rider over the next  
10 two years. The remaining 30.70% is to be recovered over the same two-year  
11 time frame through the use of the purchased gas adjustment clause, resulting in  
12 an aggregate increase to costs of \$225k, or about \$112k on an annual basis.

13 **Q. Have the appropriate related costs and credits been included in the**  
14 **Projections for 2022?**

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

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

21 A. Yes, included with our purchased gas costs are consulting expenses to assist in  
22 the advancement of our PGA processes. Additionally, the Company has  
23 included costs associated with a software tool used by the Company to manage

1 customer usage and assist in determining the gas supply needs for the rate  
2 classes subject to the PGA. These costs directly influence the Company's  
3 PGA factor and are appropriate for recovery through the PGA clause.

4 **Q. Please explain how these costs were determined to be recoverable under**  
5 **the PGA clause.**

6 A. The costs the Company has included are integrally related to the gas purchase  
7 function and were not anticipated or included in the cost levels used to  
8 establish the current base rates. These costs relate to the Company's  
9 optimization of fuel supply in an effort to protect current fuel savings, and  
10 directly benefit our customers. These costs have historically been allowed for  
11 recovery through the PGA and are not being recovered through the  
12 Companies' base rates.

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

14 A. The projection period is January through December 2022.

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

16 A. Yes.