ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment	)	
(PGA) True-up	)	DOCKET NO. 990003-GU

DIRECT TESTIMONY OF JAMES A. WILLIAMS

On Behalf of Florida Division
Chesapeake Utilities Corporation

Submitted for filing: September 24, 1999

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

A. My name is James A. Williams. I am Accounting and Rates Manager of the Florida Division of Chesapeake Utilities Corporation. My business address is 1015 6th Street, N. W., Winter Haven, Florida 33882.

Q. Describe briefly your educational background and relevant professional background.

A. I have a Bachelor of Science Degree in Parks & Recreation from West Virginia University, Morgantown, West Virginia, with additional course work in business law, accounting, and management. I am also a licensed Certified Public Accountant in West Virginia but am inactive at this time. I was employed by Chesapeake Utilities Corporation in April of 1999 as an Accounting and Rates Manager.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss the Florida Division's calculation of its levelized purchased gas cost factors for the twelve-month period January 2000 through December 2000.

Exhibits

Q. Would you please identify the Composite Exhibit which you are sponsoring with this testimony?

A. Yes. As Composite Exhibit JAW-2, I am sponsoring the following schedules with respect to the January 2000 through December 2000 levelized purchased gas cost factor projection:

E-1 - PGA Calculation, Original Estimate for the Projected Period January 2000 - December 2000. (Total Company)

E-1 - PGA Calculation, Original Estimate for the Projected Period

January 2000 – December 2000 (Allocated Firm)

E-1 - PGA Calculation, Original Estimate for the Projected Period January 2000 – December 2000 (Allocated Interruptible)

E-1/R - PGA Calculation, Revised Estimate for the Period January 1999 – December 1999 (Total Company)

E-1/R - PGA Calculation, Revised Estimate for the Period January 1999 – December 1999 (Allocated Firm)

E-1/R - PGA Calculation, Revised Estimate for the Period January 1999 - December 1999 (Allocated Interruptible)

E-2 - Calculation of True-up Amount for the Current Period January 1999 - December 1999

E-3 - Transportation Purchases for the Projected Period January 2000 – December 2000

E-4 - Calculation of True-up Amount, Projected Period January 2000 – December 2000

E-5 - Therm Sales and Customer Data for the Projected Period January 2000 – December 2000

Q. Were these schedules prepared under your direction and supervision?

A. Yes, they were.

<u>Revised Estimate January 1999 - December 1999</u>

Q. What is the revised estimate of total purchased gas costs for the period January 1999 - December 1999?

A. The revised projection of purchased gas cost for the current period is $9,133,127.

Q. What is the revised projection of gas revenue to be collected for the current period?

A. As shown on Schedule E-2, the company estimates the total gas revenue to be collected during the period to be $9,299,390. This amount includes a collection of prior period undercollections in the amount of $73,075. Therefore, the revenue collected to cover the current period's gas cost is estimated to be $9,226,315.

Q. What is the revised true-up amount, including interest, estimated for the January 1999 – December 1999 period?

A. The company estimates the revised true-up, including interest, and a minor adjustment carryover of $302 to be an overcollection of $94,883.

<u>January 2000 – December 2000 Projection</u>

Q. How did you develop your projection of the Florida Division's cost of gas for the January 2000 – December 2000 period?

A. Our first step was to estimate our supply requirements for each of the twelve months in the period. Our projected supply requirements are based on our projected sales and company use for each month. Once we develop our supply requirements, we can then determine how these requirements will be met. In other words, we match our estimated requirements with the gas supply that is available to us. All of our gas requirements will be met utilizing our "FTS" (firm transportation service) contract entitlement for the projected period of January 2000 – December 2000.

Q. Please describe the general steps for mechanics of projecting the total cost of gas for the January 2000 – December 2000 period.

A. As shown on Schedule E-1 (Total Company) lines 1 - 11, the total cost of gas consists of the cost of no-notice transportation service (NNTS) on FGT, the demand and commodity costs of firm transportation service (FTS) on FGT, and the commodity cost of gas estimated to be paid to our suppliers during the period.

The demand component of "NNTS" and "FTS" services (lines 2 and 5) is based on the Florida Division's contract levels with FGT and an estimation of FGT's demand rates for these two services. The demand rates utilized for NNTS, FTS-1, and FTS-2 service for the period are the current rates in effect. During the period of January 2000 – December 2000, our "FTS" contract entitlement exceeds our monthly gas requirements. Therefore, we will be paying demand charges in excess of the volumes actually transported for system supply. Whenever possible, the Florida Division will relinquish excess capacity in order to lower its gas cost to its ratepayers.

The commodity portions of transportation system supply are shown on Schedule E-1, lines 1 and 4. The commodity pipeline amount (line 1) is based on FGT's "FTS" commodity rate multiplied by the number of therms transported for system supply. The commodity rate utilized for the period is the current rate in effect.

The commodity other (line 4) is based on data shown on Schedule E-3 which details our projected direct supplier and/or producer purchases for the twelve-month period. We projected the "FTS" commodity cost on line 4 using a combination of analyses. We analyzed the 1998 and 1999 monthly prices of natural gas delivered to FGT by zone as reported in Inside FERC Gas Market Report. We also reviewed the recent NYMEX postings for the period November 1999 through December 2000. We developed our monthly index price of gas using the above data and allowing for seasonal trends and current market pricing. To this average, we added our suppliers' estimated margin and compressor fuel.

Q. How did you project total firm and interruptible sales?

A. Firm sales were projected based on historical averages in each firm rate class. The interruptible sales projection was based on a combination of a survey method (i.e., talking with the customer), historical consumption and management judgment. These projected therm sales are found on Schedule E-1, line 27. Company use volumes are shown on line 26.

Q. How did you project company use volumes?

A. Company use volumes were estimated based on our current level of compressed natural gas usage by company vehicles.

Q. Based on the projected total cost of gas and projected sales, what is the system-wide average cost per therm for the twelve-month period ended December 2000?

A. This figure is shown on Schedule E-1 (Total Company), line 40, and is 39.490 cents per therm. To arrive at the total PGA factor, the 39.490 cents per therm is adjusted for the estimated total true-up through December 1999 (shown on Schedule E-4) and for revenue-related taxes.

Q. What is the system-wide projected PGA factor for the period January 2000 – December 2000?

A. The projected system-wide PGA factor for the period is 39.357 cents per therm.

Q. The estimated total true-up for the twelve months ended December 1999 as calculated on Schedule E-4 is included in the projected PGA factor for the period January 2000 - December 2000. Please explain how it was calculated.

A. The final true-up amount for the period April 1998 – December 1998 is added to the estimated end of period net true-up for January 1999 - December 1999. The January 1999 - December 1999 estimated true-up is based on eight months' actual data plus four months' projected data.

Q. What is the impact of the total true-up as of December 31, 1999 on the projected PGA factor for the January 2000 - December 2000 period?

A. The projected true-up as of December 31, 1999 is an overrecovery of $77,723 (Schedule E-4). Dividing the overrecovery by the January 2000 – December 2000 projected therm sales of 23,543,170 results in a refund of .330 cents per therm to be included in the proposed PGA factor.

Q. What is the maximum levelized purchased gas factor (cap) that you are proposing for the January 2000 – December 2000 period?

A. The maximum levelized purchased gas factor (cap) that we are proposing for the period is 46.407 cents per therm. This factor represents the projected firm "winter" average cost of gas, plus the true-up and taxes. Allocation of demand and commodity costs between firm and interruptible rate classes results in projected PGA factors for the twelve-month period, including true-up and taxes, of 43.158 cents per therm and 33.177 cents per therm for firm and interruptible classes, respectively, for the period. However, since the Company historically has experienced higher gas costs during the winter months, the Company has calculated a firm "winter" average cost of gas for the months of January 2000 through March 2000 and October 2000 through December 2000 for the purposes of establishing the maximum levelized purchased gas cost factor (cap). This methodology will allow us to minimize large underrecoveries during the winter months, but allow us to flex downward in the summer months in order to match current market conditions and manage overrecoveries as well.

Q. Does this conclude your testimony?

A. Yes, it does.