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January 9, 1997

GOVERNMENTAL JURISDICTION
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Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. **970003-GU**

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Public Utilities Company ("FPU") are the following documents:

1. Original and fifteen copies of Petition for Approval of Florida Public Utilities Company's Purchased Gas Adjustment Recovery Factor; *00236-97 - 01/09/97*

2. Original and fifteen copies of the direct testimony of George M. Bachman and Marc L. Schneidermann; ~~and~~ *00237-97*

3. Original and fifteen copies of Composite Exhibit GMB-3, which consists of Schedules E-1, E-1/R, E-2, E-3, E-4 and E-5.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

William B. Willingham
William B. Willingham

WBW/r1
cc: All Parties of Record
Tr:ib.3

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR

Direct Testimony of
Marc L. Schneidermann
on Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Marc L. Schneidermann, 401 South Dixie Highway,
3 West Palm Beach, FL 33402.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company
6 (FPU) as the Manager of Engineering and Gas
7 Supply.
- 8 Q. How long have you been employed by FPU?
- 9 A. Since February 1989.
- 10 Q. Have you previously testified before this
11 Commission?
- 12 A. Yes, I testified in the Purchased Gas Cost
13 Recovery Dockets Numbers 960003-GU, 950003-GU,
14 940003-GU, 930003-GU, 920003-GU and 910003-GU, as
15 well as Docket Numbers 940620-GU and 900151-GU,
16 the most recent filings for rate relief for the
17 Company's gas operations.
- 18 Q. What are the subject matters of your testimony in
19 this proceeding?
- 20 A. My testimony will relate to two specific matters.
21 First, I am responsible for forecasting the

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FPSC-RECORDS/REPORTING

1 demand, transportation and commodity costs of gas
2 to be purchased by the Company. Secondly, I am
3 also responsible for developing the projected
4 weighted average cost of gas for the Company's
5 traditional non-transportation firm and
6 interruptible classes of customers.

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

8 A. The projection period starts on April 1, 1997 and
9 ends on March 31, 1998.

10 Q. Who prepared the forecasts of sales to FPU's
11 customers?

12 A. The Company's Marketing Department prepared such
13 forecasts. This responsibility was transferred
14 from my department to Marketing during 1995. To
15 the best of my knowledge, the Marketing Department
16 followed the methodology I described in my
17 prefiled testimony in Docket 950003-GU.

18 Q. Please describe how the forecasts of gas costs
19 were developed for the projection period.

20 A. The purchases for the gas cost projection model
21 were based on using Marketing's projection of
22 sales. For the projection period, Florida Gas
23 Transmission Company's (FGT) FTS-1, FTS-2, NNTS-1,
24 PTS-1 and ITS-1 rates were to remain unchanged
25 from the current levels as listed in FGT's tariff
26 Sheets Nos. 8A and 8A.01 effective April 1, 1997.

1 The expected cost of natural gas purchased by FPU
2 and delivered to FGT, for transportation to the
3 Company and for FGT's 3.06% compressor fuel use,
4 during the projection period was developed using
5 the highest monthly New York Mercantile Exchange
6 natural gas futures closing prices for like months
7 since June 1992, inflated by 25% due to pricing
8 volatility.

9 Q. Please describe how the forecasts of the weighted
10 average costs of gas were developed for the
11 projection period.

12 A. FPU's sales to traditional non-transportation firm
13 and interruptible customers were allocated all of
14 the monthly pipeline demand costs and were
15 allocated all of the projected pipeline and
16 supplier commodity costs. The sum of these costs
17 were divided by the projected sales level to said
18 customers resulting in the projected weighted
19 average cost of gas for traditional non-
20 transportation firm customers and interruptible
21 customers and ultimately the Purchased Gas Cost
22 Recovery Factor (PGCRF) shown on Schedule E-1.
23 Capacity shortfalls, if any, would be satisfied
24 with the most economic dispatch combination of
25 acquired FTS-1 and/or FTS-2 demand levels
26 relinquished by another FGT shipper, Rate ITS-1

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services and/or PTS-1 services whenever required -
and available. Obviously, if other services
become available and it is more economic to
dispatch supplies under those services, the
Company will utilize those services as part of its
portfolio.

Q. Does this conclude your prepared direct testimony?

A. Yes.