

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 130003-GU

PURCHASED GAS ADJUSTMENT
(PGA) TRUE-UP.
_____ /

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Monday, November 4, 2013

TIME: Commenced at 9:43 a.m.
Concluded at 9:45 a.m.

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

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Gunster Law Firm, 215
3 South Monroe Street, Suite 601, Tallahassee, Florida
4 32301-1839, appearing on behalf of Florida City Gas.

5 J.R. KELLY, PUBLIC COUNSEL, CHARLES REHWINKEL
6 and PATRICIA CHRISTENSEN, ESQUIRES, Office of Public
7 Counsel, c/o The Florida Legislature, 111 W. Madison
8 Street, Rm. 812, Tallahassee, Florida 32393-1400, on
9 behalf of the Citizens of Florida

10 MICHAEL LAWSON, ESQUIRE, FPSC General
11 Counsel's Office, 2540 Shumard Oak Boulevard,
12 Tallahassee, Florida 32399-0850, appearing on behalf of
13 the Florida Public Service Commission Staff.

14 MARY ANNE HELTON, Deputy General Counsel, and
15 CURT KISER, GENERAL COUNSEL, Florida Public Service
16 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
17 Florida 32399-0850, Advisor to the Florida Public
18 Service Commission.

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I N D E X

WITNESSES

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Kandi Floyd Prefiled Testimony Inserted	22
Michelle Napier Prefiled Testimony Inserted	40
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EXHIBITS

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P R O C E E D I N G S

1
2 **CHAIRMAN BRISÉ:** Good morning. We'll go ahead
3 and call this hearing to order. It's our annual clause
4 hearings. And, Staff, would you read the notice,
5 please.

6 **MS. GILCHER:** By notice issued September 27,
7 2013, this time and place is set for a hearing
8 conference in the following dockets: 130001-EI,
9 130002-EG, 130003-GU, 130004-GU, and 130007-EI. The
10 purpose of the hearing conference is set out in the
11 notice.

12 **CHAIRMAN BRISÉ:** All right. Thank you. At
13 this time we will take appearances. And, staff, do we
14 have any specific instructions that we want to give with
15 respect to that?

16 **MS. GILCHER:** Staff suggests that all parties
17 give their appearances at the same time. There are five
18 dockets to address this morning. All parties should
19 enter their appearances and declare the dockets that
20 they are entering their appearance for.

21 **CHAIRMAN BRISÉ:** Okay. Thank you. All right.
22 At this time we'll take appearances.

23 **MR. BUTLER:** Good morning, Mr. Chairman. John
24 Butler and Ken Rubin. We're appearing in the 01, the
25 02, and the 07 dockets.

1 **MS. DANIELS:** Good morning, Commissioners. I
2 am Ashley Daniels appearing with Jim Beasley and Jeff
3 Wahlen of Ausley McMullen on behalf of Tampa Electric in
4 the 01, 02, and 07 dockets.

5 **CHAIRMAN BRISÉ:** Okay. Thank you.

6 **MR. STONE:** Good morning, Commissioners. I'm
7 Jeffrey A. Stone of the law firm Beggs and Lane and I'm
8 appearing on behalf of Gulf Power Company in the 01, 02,
9 and 07 dockets.

10 **CHAIRMAN BRISÉ:** Thank you.

11 **MR. REHWINKEL:** Good morning, Commissioners.
12 Charles Rehwinkel and Patricia Christensen in all
13 dockets; Joseph McGlothlin in 01 and 07. And J.R.
14 Kelly, the Public Counsel, is here.

15 **CHAIRMAN BRISÉ:** Thank you.

16 **MR. WRIGHT:** Good morning, Mr. Chairman and
17 Commissioners. Robert Scheffel Wright and John T.
18 LaVia, III, appearing on behalf of the Florida Retail
19 Federation in the fuel docket, 130001. The same
20 attorneys also appearing on behalf of DeSoto County
21 Generating Company in the ECRC docket, 130007.

22 Thank you.

23 **CHAIRMAN BRISÉ:** Thank you.

24 **MR. KEATING:** Good morning, Commissioners.
25 Beth Keating with the Gunster law firm. I'm here today

1 on behalf of FPUC in the 01 and 02 dockets; on behalf of
2 FPUC and Florida City Gas in the 03 docket; and on
3 behalf of FPUC, FPUC Indiantown, Chesapeake, and Florida
4 City Gas in the 04 docket.

5 **CHAIRMAN BRISÉ:** Thank you.

6 **MS. PUTNAL:** Good morning. I am Karen Putnal
7 with the Moyle Law Firm and appearing today on behalf of
8 Florida Industrial Power Users Group in the 01, 02, and
9 07 dockets.

10 **CHAIRMAN BRISÉ:** Thank you.

11 **MR. BREW:** Good morning, Mr. Chairman. I'm
12 James Brew. I'm appearing for White Springs
13 Agricultural Chemicals, PCS Phosphate in the 01, 02, and
14 07 dockets. And I'd like to make an appearance for
15 F. Alvin Taylor, as well.

16 **CHAIRMAN BRISÉ:** Thank you.

17 **MR. HORTON:** Mr. Chairman, Norman H. Horton,
18 Jr., appearing on behalf of Sebring Gas System in the 04
19 docket.

20 **CHAIRMAN BRISÉ:** Thank you.

21 **MS. TRIPLETT:** Good morning. Diane Triplett,
22 John Burnett, and Matt Bernier, appearing on behalf of
23 Duke Energy Florida in the 01, 02, and 07 dockets. And
24 also appearing in the 07 docket is Gary Perko. Thank
25 you.

1 **CHAIRMAN BRISÉ:** Thank you.

2 **MS. CORBARI:** Kelly Corbari appearing in the
3 04 docket.

4 **CHAIRMAN BRISÉ:** Okay.

5 **MS. GILCHER:** Julia Gilcher appearing in the
6 02 and 01 docket. I'd also like to make an appearance
7 in the 02 docket for Lee Eng Tan and in the 01 docket
8 for Martha Barrera.

9 **CHAIRMAN BRISÉ:** Thank you.

10 **MR. LAWSON:** Michael Lawson for the 03 docket.

11 **MR. MURPHY:** Charles Murphy in the 07 docket.

12 **MS. HELTON:** And, Mary Anne Helton, advisor to
13 the Commission in all of the dockets. And also here
14 today is the General Counsel, Curt Kiser.

15 **CHAIRMAN BRISÉ:** Thank you.

16 Are we missing anyone? Okay.

17 Are there any parties that have been excused
18 from the hearing?

19 **MS. GILCHER:** Yes, Chairman. There's been
20 three parties excused from the hearing today; St. Joe
21 Natural Gas Company, Peoples Gas System, and Southern
22 Alliance for Clean Energy.

23 **CHAIRMAN BRISÉ:** Okay. And it's my
24 understanding that St. Joe Natural Gas Company had an
25 interest in Docket 03 and 04?

1 **MS. GILCHER:** Correct.

2 **CHAIRMAN BRISÉ:** And Peoples Gas, 03 and 04,
3 as well.

4 **MS. GILCHER:** Correct.

5 **CHAIRMAN BRISÉ:** And Southern Alliance for
6 Clean Energy in the 02 docket.

7 **MS. GILCHER:** Correct.

8 **CHAIRMAN BRISÉ:** Okay. The order that we plan
9 to take up the dockets today is 02, 03, 04, 07, and then
10 01.

11 * * * * *

12 **CHAIRMAN BRISÉ:** Now we will proceed to open
13 Docket 130003-GU.

14 **MR. LAWSON:** Thank you.

15 Staff would note at this time that St. Joe
16 Natural Gas Company and Peoples Gas System have been
17 excused from the hearing. We would also note that there
18 are proposed stipulations on all issues, that all
19 witnesses in this docket have been excused, and that the
20 parties have waived their opening statements.

21 **CHAIRMAN BRISÉ:** All right. Thank you very
22 much.

23 Prefiled testimony.

24 **MR. LAWSON:** We would ask that the prefiled
25 testimony of all witnesses identified in Section VI of

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the prehearing order, which is Page 4 of the prehearing order, be inserted into the record as though read.

CHAIRMAN BRISÉ: Okay. We will do that at this time. We will enter the prefiled testimony into the record as though read.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 DIRECT TESTIMONY OF
3 THOMAS KAUFMANN
4 ON BEHALF OF FLORIDA CITY GAS
5 (Final True-Up)
6 DOCKET NO. 130003-GU

7
8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Thomas Kaufmann. My business address is
10 Elizabethtown Gas, 300 Connell Drive, Suite 3000, Berkeley
11 Heights, New Jersey 07922.

12
13 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

14 A. I am currently employed as a Manager of Rates and Tariffs and
15 have responsibilities for Pivotal Utility Holdings, Inc's., Florida
16 operating division d/b/a Florida City Gas ("City Gas" or "the
17 Company").

18
19 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND
20 EMPLOYMENT EXPERIENCE.**

21 A. In June 1977, I graduated from Rutgers University, Newark with
22 a Bachelor of Arts degree in Business Administration, majoring
23 in accounting and economics. In July 1979, I graduated from

1 Fairleigh Dickinson University, Madison with a Masters of
2 Business Administration, majoring in finance. My professional
3 responsibilities have encompassed financial analysis,
4 accounting, planning, and pricing in manufacturing and energy
5 services companies in both regulated and deregulated
6 industries. In 1977, I was employed by Allied Chemical Corp. as
7 a staff accountant. In 1980, I was employed by Celanese Corp.
8 as a financial analyst. In 1981, I was employed by Suburban
9 Propane as a Strategic Planning Analyst, promoted to Manager
10 of Rates and Pricing in 1986 and to Director of Acquisitions and
11 Business Analysis in 1990. In 1993, I was employed by
12 Concurrent Computer as a Manager, Pricing Administration. In
13 1996 I joined Pivotal Utility Holdings, Inc's., (formerly known as
14 NUI Utilities Inc.) as a Rate Analyst, was promoted to Manager
15 of Regulatory Support in August, 1997 and Manager of
16 Regulatory Affairs in February, 1998, and named Manager of
17 Rates and Tariffs in July 1998.

18

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

20 A. The purpose of my testimony is to present the comparison of
21 Actual versus Original estimate of the purchased gas adjustment
22 cost recovery factor and true-up provision for the period January,
23 2012 through December, 2012 for City Gas.

1

2 **Q. HAS THE COMPANY PREPARED THE FORM PRESCRIBED**
3 **BY THIS COMMISSION FOR THIS PURPOSE?**

4 A. Yes. The Company has prepared the form prescribed by the
5 Commission attached as Schedule A-7, and identified as Exhibit
6 ____ (TK-1).

7

8 **Q. HAS CITY GAS PREPARED A SCHEDULE WHICH SHOWS**
9 **THE ACTUAL GAS COSTS ASSOCIATED WITH THE GAS**
10 **ADJUSTMENT COST RECOVERY FACTOR?**

11 A. Yes. City Gas prepared Schedule A-7, attached, which
12 describes the total fuel cost for the period in question, recovery
13 of such cost from ratepayers through the Purchased Gas
14 Adjustment (PGA) Cost Recovery Factor, and remaining over or
15 under-recovery of gas cost.

16

17 **Q. WHAT WAS THE TOTAL GAS COST INCURRED BY THE**
18 **COMPANY DURING THE TWELVE MONTHS ENDED**
19 **DECEMBER 31, 2012?**

20 A. As shown on Schedule A-7, Line 1, the total cost of gas for the
21 twelve months ended December 31, 2012 is \$20,959,019.

22

1 Q. WHAT WAS THE TOTAL AMOUNT OF GAS COST
2 RECOVERED BY THE COMPANY DURING THE TWELVE
3 MONTHS ENDED DECEMBER 31, 2012?

4 A. The Company recovered \$19,413,431 from customer billings
5 plus an additional \$757,910 from margin sharing credits.
6

7 Q. WHAT IS THE COMPANY'S ACTUAL TRUE-UP FOR THE
8 TWELVE MONTHS ENDED DECEMBER 31, 2012?

9 A. The actual true-up amount, including adjustments, margin
10 sharing and interest, is an under-recovery of \$785,321.
11

12 Q. CAN YOU EXPLAIN HOW YOU ARRIVED AT THAT
13 AMOUNT?

14 A. Yes. As shown on Schedule A-7, the total fuel cost for the
15 period is \$20,959,019 and the total fuel revenues are
16 \$19,413,431. The difference between the fuel cost and fuel
17 recoveries is an under-recovery of \$1,545,588. This under-
18 recovery was somewhat offset by an adjustment of \$757,910 for
19 margin, and an interest provision, during the period, of \$2,356.
20 The sum of these, inclusive of a \$1 credit from a prior period, is
21 an under-recovery of \$785,321.
22

1 Q. WHAT IS THE FINAL OVER/UNDER RECOVERY FOR THE
2 JANUARY 2012 THROUGH DECEMBER 2012 PERIOD TO BE
3 INCLUDED IN THE 2013 PROJECTION?

4 A. The final true-up amount for the period of January 2012 through
5 December 2012 to be included in the 2013 projection is an over-
6 recovery \$1,408,722. This is the difference between the
7 estimated under-recovery of \$2,194,043 that is included in the
8 current cost recovery factor being collected during 2013 and the
9 actual under-recovery of \$785,321.

10

11 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DIRECT TESTIMONY OF

3 THOMAS KAUFMANN

4 ON BEHALF OF FLORIDA CITY GAS

5 DOCKET NO. 130003-GU

6 September 10, 2013

7

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

9 A. My name is Thomas Kaufmann. My business address is Elizabethtown
10 Gas, 300 Connell Drive, Suite 3000, Berkeley Heights, NJ 07922.

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

12 A. I am currently employed as a Manager of Rates and Tariffs and have
13 responsibilities for Florida City Gas ("City Gas" or "the Company").

14 **Q. BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND**
15 **EMPLOYMENT EXPERIENCE.**

16 A. In June 1977, I graduated from Rutgers University, Newark, N.J.,
17 with a Bachelor of Arts degree in Business Administration, majoring
18 in accounting and economics. In July 1979, I graduated from
19 Fairleigh Dickinson University, Madison, N.J., with a Masters of
20 Business Administration, majoring in finance. My professional
21 responsibilities have encompassed financial analysis, accounting,
22 planning, and pricing in manufacturing and energy services
23 companies in both regulated and deregulated industries. In 1977, I
24 was employed by Allied Chemical Corp. as a staff accountant. In

1 1980, I was employed by Celanese Corp. as a financial analyst. In
2 1981, I was employed by Suburban Propane as a Strategic Planning
3 Analyst, promoted to Manager of Rates and Pricing in 1986 and to
4 Director of Acquisitions and Business Analysis in 1990. In 1993, I
5 was employed by Concurrent Computer as a Manager, Pricing
6 Administration. In 1996 I joined NUI as a Rate Analyst, was
7 promoted to Manager of Regulatory Support in August, 1997 and
8 Manager of Regulatory Affairs in February, 1998, and named
9 Manager of Rates and Tariffs in July 1998.

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

11 A. The purpose of my testimony is to present the revised estimate of
12 the Company's projection of gas costs for the period August 2013
13 through December 2013 and the Company's projection of gas costs
14 for the period January 2014 through December 2014. In addition I
15 will present the development of the maximum rate to be charged to
16 customers for the period January 2014 through December 2014.

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

19 A. Yes. The forms prescribed by the Commission are being filed at this
20 time. Copies are attached to my testimony as Exhibit __ (TK-2).

21

22

1 **Q. CAN YOU EXPLAIN THE PROJECTION METHODOLOGY?**

2 A. Yes. Under this methodology, which was adopted by Order No.
3 PSC-93-0708-FOF-GU of this Commission on May 10, 1993 and
4 modified in Docket No. 980269-PU on June 10, 1998, gas
5 companies are to project their gas costs each twelve months for the
6 ensuing twelve month period ending in December. A per therm rate
7 is developed for the weighted average cost of gas (WACOG). This
8 rate, based on the average of the winter and summer seasons,
9 would lead to over or under-recoveries of gas costs in the two
10 seasons. This problem is mitigated by establishing a maximum
11 levelized purchased gas factor based on the Company's expected
12 winter cost of gas, thereby eliminating a large under-recovery in that
13 season. The Company is then able to flex downward in the summer
14 in order to match market conditions and eliminate the potential for a
15 large over-recovery for the remainder of the period.

16 **Q. WHAT IF THE ACTUAL COST EXCEEDS THE MAXIMUM RATE**
17 **AS PROJECTED?**

18 A. If re-projected gas costs for the remaining period exceed projected
19 recoveries by at least 10% for the twelve month period, a mid-
20 course correction may formally be requested by the Company.

21 **Q. WHAT HAPPENS TO THE DIFFERENCES THAT RESULT FROM**
22 **MISESTIMATES, THAT IS, THE MISMATCHES BETWEEN**

23

1 **ESTIMATED AND ACTUAL COSTS?**

2 A. The forms take this into consideration. Form E-2 calculates the
3 projected differences using estimated figures, and form E-4
4 calculates the final true-up using actual figures. These differences
5 are flowed back to customers through the true-up factor included in
6 gas costs billed in the subsequent twelve month period.

7 **Q. ARE ANY FLORIDA GAS TRANSMISSION (FGT) RATE**
8 **CHANGES PROPOSED WHICH ARE REFLECTED IN THIS**
9 **FILING?**

10 A. No, the FGT rates used in the preparation of this filing are those in
11 effect on September 1, 2013.

12 **Q. DOES THIS YEARS FILING REFLECT ANY CAPACITY COSTS NOT**
13 **CONTAINED IN LAST YEAR'S CAP RATE?**

14 A. Yes. in preparing this year's forecast it was noted that the Florida
15 Gas Transmission ("FGT") capacity added in 2013 consisting of 12,000
16 dekatherms per day during the winter months of October through March
17 was not reflected in 2013 Cap rate.

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

20 A. Yes. Schedule E-1 shows the projected period, January 2014
21 through December 2014. For 2014, the Company estimates the gas
22 purchases for resale will be 42,545,224 therms (Line 15) at a total
23 cost of \$32,265,818 (Line 11) with a resulting WACOG of 75.839

1 cents per therm (Line 40) before the application of the true-up factor
2 and the regulatory assessment fee. Schedule E-4 shows the
3 difference between the estimated actual and actual true-up for the
4 prior period, January 2012 through December 2012, is an over-
5 recovery of \$1,408,722 (Column 3, Line 4). The projected true-up
6 for the current period, January 2013 through December 2013, is an
7 under-recovery of \$1,312,868 (Column 4, line 4). The total true-up
8 as shown on Schedule E-4 is an over-recovery of \$95,854 for a
9 credit true-up recovery factor of 00.225 cents per therm that would
10 be applied during the projected period (Schedule E-1, Line 41). This
11 true-up factor decreases the gas cost factor during the projected
12 period to 75.614 cents per therm (Line 42) before the regulatory
13 assessment fee. With the regulatory assessment fee added, the
14 PGA factor is 75.994 cents per therm (Line 44) based on the
15 average of the winter and summer seasons.

16 **Q. DOES THE ANALYSIS FOR THE PROJECTED PERIOD**
17 **SUMMARIZED ABOVE PROVIDE A SUFFICIENT BASIS TO SET**
18 **THE PGA CAP IN 2014?**

19 A. No. As shown on Schedule E-1 (winter), City Gas has chosen to
20 establish a maximum levelized purchased gas factor based on the
21 Company's expected winter cost of gas as follows:

22

23

1

Winter Average, per Therm

2

Total Cost (Line 11)	\$20,023,457
Total Therm Sales (Line 27)	23,159,794
(Line 11/ Line 27)	\$86.458
True-up	(\$00.225)
Before Regulatory Assessment	\$86.233
Revenue Tax Factor	1.00503
Purchased Gas Factor	\$86.666

3

4

As shown above, the maximum levelized purchased gas factor

5

based on the Company's expected winter cost of gas is 86.233

6

cents per therm before the regulatory assessment fee and 86.666

7

cents per therm after the regulatory assessment fee. If approved by

8

the Commission, 86.666 cents per therm would be the maximum

9

gas cost factor that City Gas may charge its customers for the

10

period January 2014 through December 2014.

11

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

13 **A.** Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **KANDI M. FLOYD**

5
6 **Q.** Please state your name and business address.

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

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

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

1 Conservation/Regulatory Coordinator, and held that
2 position until assuming my current position in 2003.

3

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

6

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

11

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

14

15 **A.** Yes. As Composite Exhibit KMF-1, preparation of the
16 following schedule with respect to the final true-up for
17 the period January 2012 through December 2012: A-7 -
18 Final Fuel Over/Under Recovery.

19

20 **Q.** What was Peoples' cost of gas to be recovered through
21 the PGA clause for the period January 2012 through
22 December 2012?

23

24 **A.** As shown on Schedule A-7 in KMF-1, the cost of gas
25 purchased, adjusted for company use, was \$157,353,175.

1 Q. What was the amount of gas revenue collected for the
2 period January 2012 through December 2012?

3
4 A. The amount of gas revenue collected to cover the cost of
5 gas was \$157,211,626.

6
7 Q. What was the final true-up amount for the period January
8 2012 through December 2012?

9
10 A. The final true-up amount for the period, including
11 interest and adjustments, is an under-recovery of
12 \$106,347.

13
14 Q. Is this amount net of the estimated true-up for the
15 period January 2012 through December 2012, which was
16 included in the January 2013 through December 2013 PGA
17 factor calculation?

18
19 A. No. The final true-up net of the estimated true-up for
20 the period January 2012 through December 2012 is an
21 over-recovery of \$407,897.

22
23 Q. Is this the final over-recovery amount to be included in
24 the January 2014 through December 2014 projection?

25

1 **A.** Yes.

2

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

4

5 **A.** Yes.

6

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PEOPLES GAS SYSTEM
DOCKET NO. 130003-GU
FILED: 09/10/2013

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 Energy Conservation Cost Recovery filings as
4 well as 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 2014 through December 2014
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 2012 through
9 December 2012?

10

11 **A.** The final PGA true-up amount for the year 2012 is an
12 over-recovery of \$407,897.

13

14 **Q.** What is the estimated purchased gas adjustment true-up
15 amount for the period January 2013 through December
16 2013?

17

18 **A.** The estimated PGA true-up amount for 2013 is an under-
19 recovery of \$400,660.

20

21 **Q.** What is the total purchased gas adjustment true-up
22 amount to be collected during the period January 2014
23 through December 2014?

24

25 **A.** The total PGA true-up amount to be refunded in 2014 is

1 an over-recovery of \$7,240.

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 2014 through
11 December 2014.

12

13 **A.** All natural gas delivered through Peoples' distribution
14 system is received through three interstate pipelines.
15 Gas is delivered through Florida Gas Transmission
16 Company ("FGT"), through Southern Natural Gas Company
17 ("Southern") in Peoples' Jacksonville Division, and
18 through Gulfstream Natural Gas System ("Gulfstream") in
19 Peoples' Lakeland, Tampa, Sarasota, and Orlando
20 Divisions. Receiving gas supply through multiple
21 interstate pipelines provides valuable flexibility and
22 reliability to serve 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 2014 through December 2014?

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 2014, 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 NaturalChoice 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. Is Peoples seeking a change in the Swing Service Charge?

13
14 A. Not at this time. However, to the extent a portion of
15 the swing costs are assigned to the PGA, Peoples may
16 seek to readdress its Swing Service Charge expenses and
17 the allocation thereof in a subsequent docket before the
18 Commission.

19
20 Q. How did you estimate the purchase price to be paid by
21 Peoples for each of its available sources of gas supply?

22
23 A. The price to be paid for natural gas is estimated based
24 on an evaluation of historical prices for gas delivered
25 to the FGT, Southern, and Gulfstream systems, futures

1 contracts as reported on the New York Mercantile
2 Exchange and forecasts of market prices for the
3 projection period of January 2014 through December 2014.
4 These prices are then adjusted to reflect the potential
5 for implied volatility increases and unexpected and
6 unforeseen increases due to market forces particularly
7 in the monthly and daily markets for natural gas prices
8 in the projection period.

9
10 **Q.** Referring to Schedules E-3 (A) through (G) of Composite
11 Exhibit KMF-2, please explain the components of these
12 schedules and the assumptions that were made in
13 developing the Company's projections.

14
15 **A.** Schedule E-3 (G) is a compilation of the monthly data
16 that appears on Schedules E-3 (A) through (F) for the
17 corresponding months of January 2014 through December
18 2014. In Schedules E-3 (A) through (F), Column (A)
19 indicates the applicable month for all data on the page.
20 In Column (B), "FGT" indicates that the volumes are to
21 be purchased from third party suppliers for delivery via
22 FGT interstate pipeline transportation. "SOUTHERN"
23 indicates that the volumes are to be purchased from a
24 third party supplier for delivery via Southern
25 interstate pipeline transportation. "GULFSTREAM"

1 indicates that the volumes are to be purchased from a
2 third party supplier for delivery via Gulfstream
3 interstate pipeline transportation. "THIRD PARTY"
4 indicates that the volumes are to be purchased directly
5 from various third party suppliers for delivery into
6 FGT, Southern, or Gulfstream.

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

1 Transportation Service customers reimburse Peoples or
2 directly pay FGT for all pipeline reservation charges
3 associated with the transportation capacity that Peoples
4 reserves and uses on their behalf.

5
6 Also in Column (D), "NO NOTICE TRANSPORTATION SERVICE"
7 (or "NNTS") means FGT's no notice service provided to
8 Peoples on a fixed charge basis for use when Peoples'
9 actual use exceeds scheduled quantities. "SWING
10 SERVICE" means the demand and commodity component of the
11 cost of third party supplies purchased to meet Peoples
12 "swing" requirements for supply that fluctuate on a day-
13 to-day basis. "COMMODITY" means third party purchases of
14 gas transported on FGT, Southern or Gulfstream and does
15 not include any purchases of sales volumes from FGT.

16
17 Column (E) shows the monthly quantity in therms of gas
18 purchased by Peoples for each category of system supply.
19 Column (F) shows the gas purchased by end-users for
20 transportation.

21 Column (G) is the total of Columns (E) and (F) in each
22 row.

23 Columns (H), (I), (J) and (K) show the corresponding
24 third party supplier commodity costs, pipeline
25 transportation commodity costs, pipeline transportation

1 reservation costs, and other charges (e.g., balancing
2 charges), respectively. These costs are determined
3 using the actual amounts paid by Peoples. In the case
4 of end-user transportation, these costs are reimbursed
5 to Peoples or paid directly to FGT. All ACA and fuel
6 charges are included in the commodity costs in Column
7 (I) and, therefore, are not shown in Column (K).
8 Column (L) in each row is the sum of Columns (H), (I),
9 (J) and (K) divided by Column (G).

10
11 **Q.** Please explain the components of these schedules and the
12 assumptions that were made in developing the Company's
13 projections.

14
15 **A.** Schedule E-1 is shown in three versions. Page 17
16 relates to Cost of Gas Purchased, Therms Purchased, and
17 Cents Per Therm for Combined Rate Classes, Page 18
18 relates to Residential Customers, and Page 19 relates to
19 Commercial Customers.

20
21 The costs associated with various categories or items
22 are shown on lines 1 through 14. Line 6 on Schedule E-1
23 includes legal expenses associated with various
24 interstate pipeline dockets such as tariff filings,
25 seasonal fuel filings, certification proceedings and a

1 FGT rate proceeding scheduled to be filed no later than
2 November 1, 2014 with an anticipated effective date of
3 May 2015. These expenses have historically been
4 included for recovery through the Purchased Gas
5 Adjustment Clause because they are fuel related
6 expenses. The volumes consumed for similar categories
7 or items are shown on lines 15 through 27, and the
8 resulting effective cost per therm rate for each similar
9 category or item is contained on lines 28 through 45.

10
11 The data shown on Schedule E-1 are taken directly from
12 Schedules E-3 (A) through (F) for the months of January
13 2014 through December 2014.

14
15 **Q.** What information is presented on Schedule E-1/R of
16 Composite Exhibit KMF-2?

17
18 **A.** Schedule E-1/R of Composite Exhibit KMF-2 shows seven
19 months actual and five months estimated data for the
20 current period from January 2013 through December 2013
21 for all combined customer classes.

22
23 **Q.** What information is presented on Schedule E-2 of
24 Composite Exhibit KMF-2?

- 1 **A.** Schedule E-2 of Composite Exhibit KMF-2 shows the amount
2 of the prior period over/under recoveries of gas costs
3 that are included in the current PGA calculation.
4
- 5 **Q.** What is the purpose of Schedule E-4 of Composite Exhibit
6 KMF-2?
7
- 8 **A.** Schedule E-4 of Composite Exhibit KMF-2 simply shows the
9 calculation of the estimated true-up amount for the
10 January 2013 through December 2013 period. It is based
11 on actual data for seven months and projected data for
12 five months.
13
- 14 **Q.** What information is contained on Schedule E-5 of
15 Composite Exhibit KMF-2?
16
- 17 **A.** Schedule E-5 of Composite Exhibit KMF-2 is statistical
18 data that includes the projected therm sales and numbers
19 of customers by customer class for the period from
20 January 2014 through December 2014.
21
- 22 **Q.** How have you incorporated the Residential PGA factor and
23 the Commercial PGA factor in the derivation of the PGA
24 cap for which the company seeks approval?
25

1 **A.** On April 5, 1998, the Commission issued Order No. PSC-
2 99-0634-FOF-GU as a Proposed Agency Action in Docket No.
3 981698-GU, and the Order subsequently became final.
4 This Order approved Peoples Gas' request for approval of
5 a methodology for charging separate Purchased Gas
6 Adjustment factors for different customer classes.
7 Under the approved methodology, separate PGA factors are
8 derived by assigning the fixed, interstate pipeline
9 reservation costs to each customer class according to
10 the class' contribution to the company's peak month
11 demand for the winter season and the summer season.
12 Exhibit KMF-2, Page 38, labeled Attachment, contains the
13 seasonal peak allocation factors based on the most
14 recent peak month data available, January 2013 and April
15 2013. These allocation factors are then applied to
16 Schedule E-1 to derive the Residential, Commercial and
17 Combined for All Rate Classes. The WACOG for which
18 Peoples seeks approval as the annual cap is the
19 Residential factor of \$.91848 per therm as shown in
20 Schedule E-1. This annual cap will be applicable to all
21 rate classes.

22
23 **Q.** Does this conclude your testimony?

24
25 **A.** Yes, it does.

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 130003-GU
DETERMINATION OF PURCHASED
GAS/COST RECOVERY FACTOR**

**Direct Testimony of
Michelle D. Napier
On Behalf of
Florida Public Utilities Company**

1 Q. Please state your name and business address.

2 A. Michelle D. Napier 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 the 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, 2012 through
10 December 31, 2012, as compared to the true-up amount previously
11 reported for that period which was based on seven months actual and five
12 months estimated.

13 Q. Please state the actual amount of over/under recovery of the Purchased
14 Gas Adjustment for January 1, 2012 through December 31, 2012.

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FPSC-COMMISSION CLERK

1 A. During January 2012 through December 2012, FPUC under-recovered
2 \$1,823,540.

3 Q. How does this amount compare with the estimated true-up amount, which
4 was allowed by the Commission during the November 2012 hearing?

5 A. As of December 31, 2012, FPUC had estimated an over-recovery of
6 \$1,007,799.

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

8 A. We prepared and pre-filed composite Exhibit MDN-1, containing
9 Schedule A-7, Final Fuel Over/Under Recovery for the Period January
10 2012 through December 2012.

11 Q. Does this conclude your testimony?

12 A. Yes

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment (PGA) Projections

DIRECT TESTIMONY OF MICHELLE D. NAPIER

On behalf of

Florida Public Utilities Company

DOCKET NO. 130003-GU

1 Q. Please state your name and business address.

2 A. My name is Michelle D. Napier. My business address is 1641 Worthington Road,
3 Suite 220, West Palm Beach, Florida 33409.

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

5 A. I am employed by Florida Public Utilities Company (FPUC) as the Senior Regulatory
6 Analyst.

7 Q. Can you please provide a brief overview of your educational and employment
8 background?

9 A. I graduated from University of South Florida in 1986 with a BS degree in Finance. I
10 have been employed with FPUC since 1987. During my employment at FPUC, I
11 have performed various roles and functions in accounting, management and most
12 recently, regulatory accounting (PGA, conservation, surveillance reports, regulatory
13 reporting).

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

16 A. Yes.

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

18 A. My testimony will establish the PGA “true-up” collection amount, based on actual
19 2012 data and projected 2013 data. My testimony will describe the Company’s

1 forecast of pipeline charges and commodity costs of natural gas for 2014. Finally, I
2 will summarize the computations that are contained in composite exhibit MDN-2
3 supporting the January through December 2014 projected PGA recovery (cap) factor
4 for the FPUC consolidated gas division.

5 Q. Did you complete the schedules filed by your Company?

6 A. Yes.

7 Q. Which of the Staff's set of schedules has your company completed and filed?

8 A. The Company has prepared and previously filed True-Up schedules A-1, A-2, A-3,
9 A-4, A-5, A-6 and A-7, in addition to filing composite exhibit MDN-2 that contains
10 Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the FPUC consolidated gas division.

11 These schedules support the calculation of the PGA recovery (cap) factor for January
12 through December 2014.

13 Q. What is the appropriate final PGA true-up amount for the period January through
14 December 2012?

15 A. As shown on Schedule E-4, the final PGA true-up amount for the period January
16 through December 2012 is an under-recovery of \$2,831,339, inclusive of interest.

17 Q. What is the projected PGA true-up amount for the period January through December
18 2013?

19 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
20 recovery of \$2,730,758, inclusive of interest, for the period January through
21 December 2013.

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

23 A. The projection period is January through December 2014.

24 Q. What is the total projected PGA true-up amount to be collected from or refunded to
25 customers for the period January through December 2014?

- 1 A. As shown on Schedule E-4, the total net under-recovery to be collected for the period
2 January through December 2014 is \$100,581.
- 3 Q. Please describe how the forecasts of pipeline charges and commodity costs of gas
4 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, NNTS-1 and ITS-1 effective charges (including
8 surcharges) and fuel rates, at the time the projections were made, were used for the
9 entire projection period. As is further explained herein, the Company has also
10 included costs related to further expansions in Nassau, Okeechobee, and Polk
11 Counties. The expected costs of natural gas purchased by the Company during the
12 projection period are developed using actual prices paid during relevant historical
13 periods and the New York Mercantile Exchange (NYMEX) natural gas futures
14 pricing through the end of the projection period. The forecasts of the commodity
15 costs are then adjusted to reflect the unexpected potential market increases in the
16 projection period.
- 17 Q. Please describe how the forecasts of the weighted average cost of gas are developed
18 for the projection period.
- 19 A. The Company has forecasted the 2014-weighted average cost of gas using the
20 projected monthly pipeline demand costs, less the projected cost of capacity
21 temporarily relinquished to third parties, the projected pipeline usage and no-notice
22 costs and the projected supplier commodity costs. The sum of these costs are then
23 divided by the projected therm sales to the traditional non-transportation customers
24 resulting in the projected weighted average cost of gas and ultimately the PGA
25 recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall, if any, would be

1 satisfied by gas and capacity repackaged and delivered by another FGT capacity
2 holder. If other services become available and it is economic to dispatch supplies
3 under those services, the Company will utilize those services as part of its portfolio.

4 Q. What is the status of the new agreement the Company entered into with Peninsula
5 Pipeline Company, Inc. (PPC) in 2012 for Nassau County?

6 A. In 2012, the Company entered into a new Transportation Service Agreement with
7 PPC, an affiliated company, with Delivery Points in Nassau County. PPC would
8 build an intrastate pipeline to extend gas transmission service to the Company's
9 distribution system planned for Nassau County. PPC constructed the pipeline in
10 conjunction with Tampa Electric Company (TECO)/Peoples Gas Systems (PGS).

11 PPC and TECO jointly own the portion of the pipeline that runs through Nassau
12 County to Amelia Island (the "Fernandina Beach Line" as referenced in the
13 applicable agreements). The jointly owned pipeline interconnects to the PGS
14 distribution system in Duval County at the Duval/Nassau Counties border (Amelia
15 River). The TECO/PGS distribution system is interconnected to the FGT and
16 Southern Natural Gas interstate pipeline transmission systems. The Fernandina Beach
17 Line provides a transportation path for FPUC from the interstate transmission
18 pipelines through the PGS Duval County distribution system into Nassau County.
19 The Company's PPC Transportation Service Agreement includes the cost of
20 transportation downstream of the FGT interconnect(s) with TECO/PGS across the
21 PGS Duval County distribution system to Nassau County and through the PPC
22 transmission pipeline (the Fernandina Beach Line) to the Company's Delivery points
23 with PPC in Nassau County. The Company separately contracted with PGS for
24 interstate transportation capacity upstream of the PGS interconnect with FGT. The
25 Commission approved the Company's Transportation Service Agreement with PPC

1 (Order No. PSC-12-0230-PAA-GU) and noted that FPUC would seek recovery of the
2 costs of the PPC downstream capacity, upstream interstate pipeline capacity (from
3 PGS) and the commodity costs incurred to serve customers in Nassau County
4 through the Company's PGA mechanism. The initial phase of construction by PPC is
5 completed. The jointly owned (PPC/TECO) Fernandina Beach Line is in-service. In
6 addition, as part of the Commission approved agreement referenced above, PPC
7 completed an extension from the Fernandina Beach Line on SR 200 on Amelia Island
8 that provides service to the Company's distribution system on the southern end of the
9 island. The associated costs of the PPC intrastate Transportation Service Agreement,
10 the upstream interstate capacity release agreement with TECO/PGS and additional
11 supply costs are being recovered through the PGA docket.

12 Q. Please describe the additional planned expansion opportunities in Nassau County.

13 A. The existing PPC/TECO jointly owned transmission pipeline runs north from Duval
14 County on US 17, intersecting SR 200 and then east onto Amelia Island. The
15 Company has completed the primary feeds for its distribution system on Amelia
16 Island and is currently connecting customers. Additional on-island distribution
17 expansion will occur under the Company's extension of service tariff. Distribution
18 system construction is currently underway off-island in Yulee and vicinity (along SR
19 200). FPUC plans further expansion in Nassau County to reach the I-95 and SR 200
20 interchange. The interchange currently includes several commercial businesses and a
21 large multi-use development is planned. The Company plans to contract with PPC to
22 extend the PPC transmission pipeline from the Fernandina Beach Line on SR 17,
23 along William Burgess Road and SR 200 to I-95. The route would enable the
24 Company to serve the customers at the I-95 interchange and several County-owned
25 and private facilities on William Burgess Road. Many of these customers are

1 currently using propane and switching to natural gas would result in significant cost
2 savings. The Company expects to enter into a new or amended agreement with PPC
3 for upstream interstate pipeline capacity. The expected in service date is June 2014.
4 The Company will file for approval of an amended Transportation Service
5 Agreement with PPC.

6 Q. Are the pipeline capacity and supply costs associated with the Nassau County
7 expansions appropriate for recovery in the PGA docket?

8 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
9 upstream transmission pipeline capacity and related supply costs associated with
10 service expansions to new areas. The Commission reviewed and approved the
11 Company's agreements with both PPC and TECO/PGS to bring natural gas service to
12 Nassau County.

13 Q. Have the appropriate Nassau County related costs been included in the Projections
14 for 2014?

15 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit MDN-2, the
16 Company has included the costs of existing interstate and intrastate capacity
17 agreements, as well as the costs for gas supply to serve the new customers in Nassau
18 County. The Company has also included the estimated intrastate capacity costs for
19 the PPC extension to serve the I-95 interchange as described above.

20 Q. Are there other areas of expansion that will impact the Company's PGA?

21 A. Yes. FPUC plans to purchase the gas distribution system owned by the City of Ft.
22 Meade in Polk County. The transaction is scheduled to close by the end of this year.
23 FPUC will acquire the existing Ft. Meade FGT capacity contract and begin supplying
24 gas to these customers beginning approximately in December 2013. The cost of the
25 FGT capacity and related gas supplies for Ft. Meade customers is included in the

1 2014 projection. In addition, the Company is currently constructing a distribution
2 expansion into the City of Okeechobee and plans to begin serving customers in 2014.
3 Gas supply costs for Okeechobee customers are included in the 2014 projections.
4 Normal customer acquisition growth has also been accounted for in the Company's
5 projections.

6 Q. What is the appropriate PGA recovery (cap) factor for the period January through
7 December 2014?

8 A. As shown on Schedule E-1, the PGA recovery (cap) factor is 87.274¢ per therm for
9 the period January through December 2014.

10 Q. What should be the effective date of the PGA recovery (cap) factor for billing
11 purposes?

12 A. The PGA recovery (cap) factor should be effective for all meter readings during the
13 period of January 1, 2014 through December 31, 2014.

14 Q. Does this conclude your testimony?

15 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment (PGA) Projections

REVISED DIRECT TESTIMONY OF MICHELLE D. NAPIER

On behalf ofFlorida Public Utilities CompanyDOCKET NO. 130003-GU

1 Q. Please state your name and business address.

2 A. My name is Michelle D. Napier. My business address is 1641 Worthington Road,
3 Suite 220, West Palm Beach, Florida 33409.

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

5 A. I am employed by Florida Public Utilities Company (FPUC) as the Senior Regulatory
6 Analyst.

7 Q. Can you please provide a brief overview of your educational and employment
8 background?

9 A. I graduated from University of South Florida in 1986 with a BS degree in Finance. I
10 have been employed with FPUC since 1987. During my employment at FPUC, I
11 have performed various roles and functions in accounting, management and most
12 recently, regulatory accounting (PGA, conservation, surveillance reports, regulatory
13 reporting).

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

16 A. Yes.

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

18 A. My testimony will establish the PGA "true-up" collection amount, based on actual
19 2012 data and projected 2013 data. My testimony will describe the Company's
20 forecast of pipeline charges and commodity costs of natural gas for 2014. Finally, I

1 will summarize the computations that are contained in composite **Revised Exhibit**
2 **MDN-2** supporting the January through December 2014 projected PGA recovery
3 (cap) factor for the FPUC consolidated gas division.

4 Q. Did you complete the schedules filed by your Company?

5 A. Yes.

6 Q. Which of the Staff's set of schedules has your company completed and filed?

7 A. The Company has prepared and previously filed True-Up schedules A-1, A-2, A-3,
8 A-4, A-5, A-6 and A-7, in addition to filing composite **Revised Exhibit MDN-2** that
9 contains Schedules E-1, E-1/R, E-2, E-3, E-4, and E-5 for the FPUC consolidated gas
10 division. These schedules support the calculation of the PGA recovery (cap) factor
11 for January through December 2014.

12 Q. What is the appropriate final PGA true-up amount for the period January through
13 December 2012?

14 A. As shown on Schedule E-4, the final PGA true-up amount for the period January
15 through December 2012 is an under-recovery of **\$2,800,188**, inclusive of interest.

16 Q. What is the projected PGA true-up amount for the period January through December
17 2013?

18 A. As also shown on Schedule E-4, the projected PGA true-up amount is an over-
19 recovery of **\$2,730,783**, inclusive of interest, for the period January through
20 December 2013.

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

22 A. The projection period is January through December 2014.

23 Q. What is the total projected PGA true-up amount to be collected from or refunded to
24 customers for the period January through December 2014?

25 A. As shown on Schedule E-4, the total net under-recovery to be collected for the period
26 January through December 2014 is **\$69,405**.

1 Q. Please describe how the forecasts of pipeline charges and commodity costs of gas
2 were developed for the projection period.

3 A. The purchases for the gas cost projection model are based on projected sales to
4 traditional non-transportation service customers. Florida Gas Transmission
5 Company's (FGT) FTS-1, FTS-2, NNTS-1 and ITS-1 effective charges (including
6 surcharges) and fuel rates, at the time the projections were made, were used for the
7 entire projection period. As is further explained herein, the Company has also
8 included costs related to further expansions in Nassau, Okeechobee, and Polk
9 Counties. The expected costs of natural gas purchased by the Company during the
10 projection period are developed using actual prices paid during relevant historical
11 periods and the New York Mercantile Exchange (NYMEX) natural gas futures
12 pricing through the end of the projection period. The forecasts of the commodity
13 costs are then adjusted to reflect the unexpected potential market increases in the
14 projection period.

15 Q. Please describe how the forecasts of the weighted average cost of gas are developed
16 for the projection period.

17 A. The Company has forecasted the 2014-weighted average cost of gas using the
18 projected monthly pipeline demand costs, less the projected cost of capacity
19 temporarily relinquished to third parties, the projected pipeline usage and no-notice
20 costs and the projected supplier commodity costs. The sum of these costs are then
21 divided by the projected therm sales to the traditional non-transportation customers
22 resulting in the projected weighted average cost of gas and ultimately the PGA
23 recovery (cap) factor, as shown on Schedule E-1. Capacity shortfall, if any, would be
24 satisfied by gas and capacity repackaged and delivered by another FGT capacity
25 holder. If other services become available and it is economic to dispatch supplies
26 under those services, the Company will utilize those services as part of its portfolio.

1 Q. What is the status of the new agreement the Company entered into with Peninsula
2 Pipeline Company, Inc. (PPC) in 2012 for Nassau County?

3 A. In 2012, the Company entered into a new Transportation Service Agreement with
4 PPC, an affiliated company, with Delivery Points in Nassau County. PPC would
5 build an intrastate pipeline to extend gas transmission service to the Company's
6 distribution system planned for Nassau County. PPC constructed the pipeline in
7 conjunction with Tampa Electric Company (TECO)/Peoples Gas Systems (PGS).
8 PPC and TECO jointly own the portion of the pipeline that runs through Nassau
9 County to Amelia Island (the "Fernandina Beach Line" as referenced in the
10 applicable agreements). The jointly owned pipeline interconnects to the PGS
11 distribution system in Duval County at the Duval/Nassau Counties border (Amelia
12 River). The TECO/PGS distribution system is interconnected to the FGT and
13 Southern Natural Gas interstate pipeline transmission systems. The Fernandina Beach
14 Line provides a transportation path for FPUC from the interstate transmission
15 pipelines through the PGS Duval County distribution system into Nassau County.
16 The Company's PPC Transportation Service Agreement includes the cost of
17 transportation downstream of the FGT interconnect(s) with TECO/PGS across the
18 PGS Duval County distribution system to Nassau County and through the PPC
19 transmission pipeline (the Fernandina Beach Line) to the Company's Delivery points
20 with PPC in Nassau County. The Company separately contracted with PGS for
21 interstate transportation capacity upstream of the PGS interconnect with FGT. The
22 Commission approved the Company's Transportation Service Agreement with PPC
23 (Order No. PSC-12-0230-PAA-GU) and noted that FPUC would seek recovery of the
24 costs of the PPC downstream capacity, upstream interstate pipeline capacity (from
25 PGS) and the commodity costs incurred to serve customers in Nassau County
26 through the Company's PGA mechanism. The initial phase of construction by PPC is

1 completed. The jointly owned (PPC/TECO) Fernandina Beach Line is in-service. In
2 addition, as part of the Commission approved agreement referenced above, PPC
3 completed an extension from the Fernandina Beach Line on SR 200 on Amelia Island
4 that provides service to the Company's distribution system on the southern end of the
5 island. The associated costs of the PPC intrastate Transportation Service Agreement,
6 the upstream interstate capacity release agreement with TECO/PGS and additional
7 supply costs are being recovered through the PGA docket.

8 Q. Please describe the additional planned expansion opportunities in Nassau County.

9 A. The existing PPC/TECO jointly owned transmission pipeline runs north from Duval
10 County on US 17, intersecting SR 200 and then east onto Amelia Island. The
11 Company has completed the primary feeds for its distribution system on Amelia
12 Island and is currently connecting customers. Additional on-island distribution
13 expansion will occur under the Company's extension of service tariff. Distribution
14 system construction is currently underway off-island in Yulee and vicinity (along SR
15 200). FPUC plans further expansion in Nassau County to reach the I-95 and SR 200
16 interchange. The interchange currently includes several commercial businesses and a
17 large multi-use development is planned. The Company plans to contract with PPC to
18 extend the PPC transmission pipeline from the Fernandina Beach Line on SR 17,
19 along William Burgess Road and SR 200 to I-95. The route would enable the
20 Company to serve the customers at the I-95 interchange and several County-owned
21 and private facilities on William Burgess Road. Many of these customers are
22 currently using propane and switching to natural gas would result in significant cost
23 savings. The Company expects to enter into a new or amended agreement with PPC
24 for upstream interstate pipeline capacity. The expected in service date is June 2014.
25 The Company will file for approval of an amended Transportation Service
26 Agreement with PPC.

- 1 Q. Are the pipeline capacity and supply costs associated with the Nassau County
2 expansions appropriate for recovery in the PGA docket?
- 3 A. Yes. Historically, the Commission has allowed recovery, through the clause, of
4 upstream transmission pipeline capacity and related supply costs associated with
5 service expansions to new areas. The Commission reviewed and approved the
6 Company's agreements with both PPC and TECO/PGS to bring natural gas service to
7 Nassau County.
- 8 Q. Have the appropriate Nassau County related costs been included in the Projections
9 for 2014?
- 10 A. Yes, as more specifically reflected in Schedule E-1 and E-3 of **Revised Exhibit**
11 **MDN-2**, the Company has included the costs of existing interstate and intrastate
12 capacity agreements, as well as the costs for gas supply to serve the new customers in
13 Nassau County. The Company has also included the estimated intrastate capacity
14 costs for the PPC extension to serve the I-95 interchange as described above.
- 15 Q. Are there other areas of expansion that will impact the Company's PGA?
- 16 A. Yes. FPUC plans to purchase the gas distribution system owned by the City of Ft.
17 Meade in Polk County. The transaction is scheduled to close by the end of this year.
18 FPUC will acquire the existing Ft. Meade FGT capacity contract and begin supplying
19 gas to these customers beginning approximately in December 2013. The cost of the
20 FGT capacity and related gas supplies for Ft. Meade customers is included in the
21 2014 projection. In addition, the Company is currently constructing a distribution
22 expansion into the City of Okeechobee and plans to begin serving customers in 2014.
23 Gas supply costs for Okeechobee customers are included in the 2014 projections.
24 Normal customer acquisition growth has also been accounted for in the Company's
25 projections.
- 26 Q. What is the appropriate PGA recovery (cap) factor for the period January through

1 December 2014?

2 A. As shown on Schedule E-1, the PGA recovery (cap) factor is ~~87.198¢~~ per therm for
3 the period January through December 2014.

4 Q. What should be the effective date of the PGA recovery (cap) factor for billing
5 purposes?

6 A. The PGA recovery (cap) factor should be effective for all meter readings during the
7 period of January 1, 2014 through December 31, 2014.

8 Q. Does this conclude your testimony?

9 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Recovery)
)
_____)

Docket No. 130003-GU
Submitted for filing
May 1, 2013

DIRECT TESTIMONY OF CHARLES A. SHOAF ON
BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.
=====

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

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

Q. What is the purpose of your testimony?

A. My purpose is to discuss the final true-up for
the period January 2012 through December 2012.

Exhibits

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

A. Yes. As Composite Exhibit CAS-1, I am sponsoring the
following schedule with respect to the final
true-up for period January 2012 through December 2012.
Schedule A-7 - Final Fuel Over/Under Recovery

Q. Was this schedule prepared under your direction
and supervision?

A. Yes, it was.

DOCUMENT NUMBER-DATE
02495 MAY-6 2013
FPSC-COMMISSION CLERK

1 Final True-Up January 2012 - December 2012

- 2 Q. What were the total therm sales for the period January
3 2012 through December 2012?
- 4 A. Total therm sales were 927,247 therms.
- 5 Q. What were total therm purchases for the period January
6 2011 through December 2012?
- 7 A. Total therm purchases were 1,057,810.
- 8 Q. What was the cost of gas to be recovered through the
9 PGA for the period January 2012 through December 2012?
- 10 A. The cost of gas purchased for January 2012 through
11 December 2012 was \$497,563.84.
- 12 Q. What was the amount of gas revenue collected for the
13 period January 2012 through December 2012?
- 14 A. The amount of gas revenue collected to cover the cost
15 of gas was \$528,538.
- 16 Q. What is the total true-up provision for the period
17 January 2012 through December 2012?
- 18 A. The total true-up provision, including interest, is an
19 over-recovery of \$31,021.49 for the period.
- 20 Q. What is the amount of estimated true-up included for
21 January 2012 thru December 2012 in the January 2013
22 through December 2013 PGA factor calculation?
- 23 A. The amount of estimated true-up for the period January
24 thru December 2012 included in the January 2013 through
25 December 2013 PGA factor calculation was an over-

1 recovery of \$60,764.00.

2 Q. What is the final over/under-recovery for the January
3 through December 2012 period to be included in the
4 January 2014 through December 2014 projection?

5 A. The final under-recovery for the current period to be
6 included in the January 2014 through December 2014
7 projection is \$29,742.51.

8 Q. Does this conclude your testimony?

9 A. Yes

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1 St. Joe Natural Gas seek approval through its petition for
2 the period January 1, 2014 through December 31, 2014?

3 A. 71.40 cents per therm

4 Q. Does this conclude your testimony?

5 A. Yes

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1 **CHAIRMAN BRISÉ:** Exhibits.

2 **MR. LAWSON:** Thank you.

3 Staff has compiled a Stipulated Comprehensive
4 Exhibit List, which includes the prefiled exhibits
5 attached to the witnesses' testimony in this case. The
6 list has been provided to the parties, the
7 Commissioners, and the court reporter. The list is
8 marked as the first hearing exhibit, and the other
9 exhibits should be marked as set forth in that chart.
10 At this time we'd ask to move Exhibits 1 through 14 into
11 the record as set forth in the Comprehensive Exhibit
12 List at this time.

13 **CHAIRMAN BRISÉ:** Okay. At this time we'll
14 move Exhibits 1 through 14 as set forth in the
15 Comprehensive Exhibit List. Seeing no objections, we'll
16 move that into the record.

17 (Exhibits 1 through 14 marked for
18 identification and admitted into the record.)

19 **CHAIRMAN BRISÉ:** All right. Commissioners, it
20 is decision time. We are prepared to entertain a motion
21 at this time.

22 Commissioner Edgar.

23 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

24 In this docket, again, noting that all issues
25 have been stipulated, I move that we approve stipulated

1 issues for Issues 1 through 5.

2 **COMMISSIONER BROWN:** Second.

3 **CHAIRMAN BRISÉ:** Okay. It has been moved and
4 seconded.

5 Any further discussion or questions?

6 Seeing none, all in favor say aye.

7 (Vote taken.)

8 **CHAIRMAN BRISÉ:** Thank you very much.

9 Are there any other matters to be addressed in
10 the 03 docket?

11 **MR. LAWSON:** No. We would note at this time,
12 however, that since a bench decision has been made,
13 there are no post-hearing filings that will be
14 necessary, and the final order is scheduled to be issued
15 by no later than December 1st, 2013.

16 **CHAIRMAN BRISÉ:** Thank you very much. Okay.
17 We will adjourn Docket 03.

1
2 STATE OF FLORIDA)
3 : CERTIFICATE OF REPORTER
4 COUNTY OF LEON)
5

6 I, JANE FAUROT, RPR, Chief, Hearing Reporter
7 Services Section, FPSC Division of Commission Clerk, do
8 hereby certify that the foregoing proceeding was heard
9 at the time and place herein stated.

10 IT IS FURTHER CERTIFIED that I
11 stenographically reported the said proceedings; that the
12 same has been transcribed under my direct supervision;
13 and that this transcript constitutes a true
14 transcription of my notes of said proceedings.

15 I FURTHER CERTIFY that I am not a relative,
16 employee, attorney or counsel of any of the parties, nor
17 am I a relative or employee of any of the parties'
18 attorney or counsel connected with the action, nor am I
19 financially interested in the action.

20 DATED THIS 7th day of November, 2013.

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JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732