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August 20, 2018

E-Portal

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

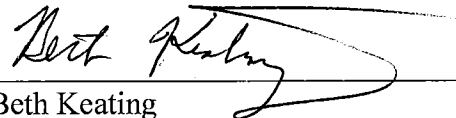
Re: Docket No. 20180003-GU - Purchased gas adjustment (PGA) true-up.

Dear Ms. Stauffer:

Attached for electronic filing, please find the Petition for Approval of PGA Factor, accompanied by the revised Direct Testimony and Exhibit GAW-2 of Mr. Geoffrey A. Wight and the Testimony of Kira Lake, submitted in the referenced Docket on behalf of Florida Public Utilities 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. 20180003-GU

Filed: August 20, 2018

**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, 2019 through December 31, 2019. 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
1750 S 14th Street, Suite 200
Fernandina Beach FL 32034

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, Director/Regulatory and
Governmental Affairs
Florida Public Utilities Company
1750 S 14th Street, Suite 200
Fernandina Beach FL 32034
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 GAW-2) for its consolidated gas division to support the calculation of the PGA recovery (cap) factor for the period January 2019 through December 2019.
4. As indicated in the testimony of Mr. Geoffrey A. Wight, FPUC has calculated its total net true-up (including interest and applicable regulatory assessment fees) for the period

January 2017 through December 2017 to be an over-recovery of \$220,953, inclusive of interest.

5. Schedule E-4 also shows the projected true-up for the current period January 2018 through December 2018 is an over-recovery of \$2,505,604 inclusive of interest.
6. The total net true-up as shown on Schedule E-4 is an over-recovery of \$2,726,557 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, including expansion in Escambia County. 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 GAW-2 to the Direct Testimony of Mr. Wight.
8. The Company has forecasted the 2019 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 Lake, 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, as well as costs associated with IT consulting services to assist in updating a current software tool used to manage customer usage, which enhances the Company's ability to determine the supply needs of the various rate classes. 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 98.066¢ 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 98.066 cents per therm to be applied to customer's bills for the period January 2019 through December 2019.

RESPECTFULLY SUBMITTED this 20th day of August, 2018.



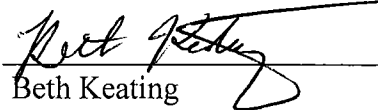
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

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. 20180003-GU, along with the Testimony and Exhibit GAW-2 of Geoffrey A. Wight and the Testimony of Kira Lake, have been furnished by electronic mail to the following parties of record this 20th day of August, 2018:

Florida Public Utilities Company Mike Cassel 1750 S 14th Street, Suite 200 Fernandina Beach, FL 32034 mcassel@fpuc.com	MacFarlane Ferguson Law Firm Ansley Watson, Jr./Andrew Brown P.O. Box 1531 Tampa, FL 33601-1531 aw@macfar.com AB@macfar.com
Jennifer Crawford, Esquire Kurt Schrader, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 jcrawfo@psc.state.fl.us kschrade@psc.state.fl.us	Office of Public Counsel Charles Rehwinkel/Patricia Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Rehwinkel.Charles@leg.state.fl.us Christensen.Patty@leg.state.fl.us
Peoples Gas System Paula Brown/Kandi Floyd P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com kfloyd@tecoenergy.com	St. Joe Natural Gas Company, Inc. Andy Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549 Andy@stjoegas.com
Florida City Gas Carolyn Bermudez 4045 NW 97th Avenue Doral, Florida 33178 Carolyn.Bermudez@nexteraenergy.com	Christopher T. Wright Senior Attorney Florida City Gas 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 Christopher.Wright@fpl.com


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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20180003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

(Actual/Estimated and Projections)

DIRECT TESTIMONY

OF GEOFFREY A. WIGHT

On behalf of Florida Public Utilities Company

Q. Please state your name and business address.

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

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

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

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

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

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

3 A. Yes.

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

5 A. Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 A. Yes.

COMPANY:		PURCHASED GAS ADJUSTMENT												SCHEDULE E-1
FLORIDA PUBLIC UTILITIES COMPANY		COST RECOVERY CLAUSE CALCULATION												
		ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2019 THROUGH DECEMBER 2019												
		PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
COST OF GAS PURCHASED														
1	COMMODITY (Pipeline)	\$8,087	\$7,576	\$7,096	\$6,394	\$5,151	\$4,565	\$4,136	\$3,844	\$4,420	\$4,310	\$5,281	\$6,493	\$67,353
2	NO NOTICE SERVICE	\$8,891	\$6,357	\$5,853	\$3,915	\$1,660	\$1,606	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$48,362
3	SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	COMMODITY (Other)	\$2,554,773	\$2,005,921	\$1,715,223	\$1,588,321	\$1,426,613	\$1,292,785	\$1,134,050	\$1,081,628	\$1,246,662	\$1,055,351	\$1,516,595	\$1,752,435	\$18,370,357
5	DEMAND	\$2,039,429	\$1,942,361	\$2,040,072	\$1,968,066	\$1,615,605	\$1,540,048	\$1,560,524	\$1,558,447	\$1,545,111	\$1,665,359	\$1,988,474	\$2,019,617	\$21,483,113
6	OTHER	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000
LESS END-USE CONTRACT:														
7	COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	DEMAND - SWING SERVICE CREDIT	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$5,322,722
9	COMMODITY (Other)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Second Prior Month Purchase Adj. (OPTIONAL)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	TOTAL COST <small>(+1+2+3+4+5+6+10)-(7+8+9)</small>	\$4,193,370	\$3,544,405	\$3,350,434	\$3,148,886	\$2,631,219	\$2,421,194	\$2,282,545	\$2,227,754	\$2,379,960	\$2,310,322	\$3,097,602	\$3,367,774	\$35,246,463
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$1,200	\$500	\$600	\$500	\$600	\$800	\$700	\$700	\$1,100	\$600	\$600	\$600	\$8,500
14	TOTAL THERM SALES	\$4,192,170	\$3,543,905	\$3,349,834	\$3,148,386	\$2,630,619	\$2,420,394	\$2,281,845	\$2,227,054	\$2,378,860	\$2,309,722	\$3,097,002	\$3,367,174	\$35,237,963
THERMS PURCHASED														
15	COMMODITY (Pipeline)	4,003,630	3,750,320	3,513,080	3,165,440	2,550,120	2,260,020	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	33,343,550
16	NO NOTICE SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
18	COMMODITY (Other)	4,003,630	3,750,320	3,513,080	3,165,440	2,550,120	2,260,020	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	33,343,550
19	DEMAND	14,903,250	13,441,680	14,865,740	13,626,000	7,450,540	6,348,300	6,577,270	6,564,560	6,442,500	8,333,730	14,463,600	14,937,970	127,955,140
20	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-
LESS END-USE CONTRACT:														
21	COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	-
22	DEMAND - SWING SERVICE CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	-
23	COMMODITY (Other)	-	-	-	-	-	-	-	-	-	-	-	-	-
24	TOTAL PURCHASES <small>(+17+18+20)-(21+23)</small>	4,003,630	3,750,320	3,513,080	3,165,440	2,550,120	2,260,020	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	33,343,550
25	NET UNBILLED	-	-	-	-	-	-	-	-	-	-	-	-	-
26	COMPANY USE	1,950	920	1,250	950	1,060	1,390	1,290	1,310	1,970	1,210	1,080	1,160	15,540
27	TOTAL THERM SALES <small>(For Estimated, 24 - 26)</small>	4,001,680	3,749,400	3,511,830	3,164,490	2,549,060	2,258,630	2,046,050	1,901,690	2,186,180	2,132,590	2,613,100	3,213,310	33,328,010
CENTS PER THERM														
28	COMMODITY (Pipeline) <small>(1/15)</small>	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202	0.202
29	NO NOTICE SERVICE <small>(2/16)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	SWING SERVICE <small>(3/17)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
31	COMMODITY (Other) <small>(4/18)</small>	63.811	53.487	48.824	50.177	55.943	57.202	55.391	56.838	56.973	49.459	58.014	54.517	55.094
32	DEMAND <small>(5/19)</small>	13.684	14.450	13.723	14.443	21.684	24.259	23.726	23.740	23.983	19.983	13.748	13.520	16.790
33	OTHER <small>(6/20)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS END-USE CONTRACT:														
34	COMMODITY Pipeline <small>(7/21)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	DEMAND - SWING SERVICE CREDIT <small>(8/22)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
36	COMMODITY Other <small>(9/23)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
37	TOTAL COST OF PURCHASES <small>(11/24)</small>	104.739	94.509	95.370	99.477	103.180	107.132	111.488	117.065	108.766	108.273	118.492	104.769	105.707
38	NET UNBILLED <small>(12/25)</small>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
39	COMPANY USE <small>(13/26)</small>	61.538	54.348	48.000	52.632	56.604	57.554	54.264	53.435	55.838	49.587	55.556	51.724	54.698
40	TOTAL COST OF THERM SOLD <small>(11/27)</small>	104.790	94.533	95.404	99.507	103.223	107.197	111.559	117.146	108.864	108.334	118.541	104.807	105.756
41	TRUE-UP (REFUND)/RECOVER <small>(E-4)</small>	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)	(8.181)
42	TOTAL COST OF GAS <small>(40+41)</small>	96.609	86.352	87.223	91.326	95.042	99.016	103.378	108.965	100.683	100.153	110.360	96.626	97.575
43	REVENUE TAX FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44	PGA FACTOR ADJUSTED FOR TAXES <small>(42+43)</small>	97.09470	86.78550	87.66151	91.78481	95.51969	99.51401	103.89708	109.51255	101.18879	100.65635	110.91483	97.11154	98.06559
45	PGA FACTOR <small>(ROUNDED TO NEAREST .001)</small>	97.095	86.786	87.662	91.785	95.520	99.514	103.897	109.513	101.189	100.656	110.915	97.112	98.066

COMPANY:		PURCHASED GAS ADJUSTMENT COST RECOVERY CLAUSE CALCULATION												SCHEDULE E-1/R
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2018 THROUGH JUNE 2018 ESTIMATED JULY 2018 THROUGH DECEMBER 2018												
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	JUN	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
COST OF GAS PURCHASED														
1	COMMODITY (Pipeline)	\$4,388	\$1,593	\$3,020	\$5,568	\$2,139	363	\$4,180	\$3,978	\$4,123	\$4,395	\$5,168	\$6,431	\$45,345
2	NO NOTICE SERVICE	\$8,891	\$6,357	\$5,853	\$3,915	\$1,660	\$1,606	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$48,362
3	SWING SERVICE	\$26,061	\$188,470	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$214,530
4	COMMODITY (Other)	\$1,723,386	\$1,111,671	\$670,935	\$664,465	\$826,427	-\$283,342	\$1,004,966	\$993,458	\$1,050,637	\$964,444	\$1,391,494	\$1,962,374	\$12,080,914
5	DEMAND	\$1,402,645	\$1,288,448	\$1,389,872	\$1,297,655	\$1,473,474	\$1,397,137	\$1,312,989	\$1,312,989	\$1,295,677	\$1,414,217	\$1,772,784	\$1,806,001	\$17,163,887
6	OTHER	\$23,602	\$18,061	\$137,931	\$60,879	\$40,762	\$25,475	\$15,417	\$15,417	\$15,417	\$15,417	\$15,417	\$15,413	\$399,208
LESS END-USE CONTRACT:														
7	COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	DEMAND - SWING SERVICE CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$155,366	\$155,366	\$155,366	\$155,366	\$155,366	\$155,362	\$932,192
9	COMMODITY (Other)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Second Prior Month Purchase Adj. (OPTIONAL)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	TOTAL COST (1+2+3+4+5+6-10)-(7+8+9)	\$3,188,971	\$2,614,599	\$2,207,611	\$2,032,482	\$2,344,462	\$1,141,238	\$2,183,831	\$2,172,121	\$2,212,065	\$2,246,219	\$3,034,559	\$3,641,896	\$29,020,053
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$866	\$1,620	\$934	\$1,080	\$895	\$1,179	\$600	\$600	\$700	\$500	\$500	\$700	\$10,174
14	TOTAL THERM SALES	\$3,601,086	\$2,612,696	\$2,370,953	\$2,630,045	\$1,929,644	\$2,452,066	\$2,183,231	\$2,171,521	\$2,211,365	\$2,245,719	\$3,034,059	\$3,641,196	\$31,083,581
THERMS PURCHASED														
15	COMMODITY (Pipeline)	5,580,040	1,147,730	3,247,730	2,565,790	3,297,080	(760,260)	2,069,300	1,969,310	2,041,020	2,175,880	2,558,520	3,183,480	29,075,620
16	NO NOTICE SERVICE	1,860,000	1,330,000	1,224,500	819,000	347,200	336,000	-	-	-	-	-	-	5,916,700
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	0
18	COMMODITY (Other)	4,260,305	2,653,983	2,989,102	3,252,465	1,837,225	1,310,182	2,069,300	1,969,310	2,041,020	2,175,880	2,558,520	3,183,480	30,300,772
19	DEMAND	11,615,092	8,447,689	12,581,447	11,971,451	6,152,816	5,689,669	6,771,330	6,771,330	6,552,900	8,402,550	14,647,200	15,135,440	114,738,914
20	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	0
LESS END-USE CONTRACT:														
21	COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	0
22	DEMAND - SWING SERVICE CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	0
23	COMMODITY (Other)	-	-	-	-	-	-	-	-	-	-	-	-	0
24	TOTAL PURCHASES (15+16+17+18+19+20)-(21+22+23)	4,260,305	2,653,983	2,989,102	3,252,465	1,837,225	1,310,182	2,069,300	1,969,310	2,041,020	2,175,880	2,558,520	3,183,480	30,300,772
25	NET UNBILLED	0	0	0	0	0	0	0	0	0	0	0	0	0
26	COMPANY USE	1,024	1,916	1,104	1,277	1,058	1,394	1,311	1,256	1,371	1,233	992	1,158	15,093
27	TOTAL THERM SALES (For Estimated, 24 - 26)	4,396,739	4,970,161	4,125,327	3,291,598	2,808,143	2,256,859	2,067,989	1,968,054	2,039,649	2,174,647	2,557,528	3,182,322	35,839,016
CENTS PER THERM														
28	COMMODITY (Pipeline) (1/15)	0.079	0.139	0.093	0.217	0.065	(0.048)	0.202	0.202	0.202	0.202	0.202	0.202	0.156
29	NO NOTICE SERVICE (2/16)	0.478	0.478	0.478	0.478	0.478	0.478	0.000	0.000	0.000	0.000	0.000	0.000	0.817
30	SWING SERVICE (3/17)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
31	COMMODITY (Other) (4/18)	40.452	41.887	22.446	20.430	44.982	(21.626)	48.566	50.447	51.476	44.324	54.387	61.642	39.870
32	DEMAND (5/19)	12.076	15.252	11.047	10.840	23.948	24.556	19.390	19.390	19.773	16.831	12.103	11.932	14.959
33	OTHER (6/20)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS END-USE CONTRACT:														
34	COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	DEMAND - SWING SERVICE CREDIT (8/22)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
36	COMMODITY Other (9/23)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
37	TOTAL COST OF PURCHASES (11+24)	74.853	98.516	73.855	62.491	127.609	87.105	105.535	110.299	108.380	103.233	118.606	114.400	95.773
38	NET UNBILLED (12+25)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
39	COMPANY USE (13+26)	84.575	84.575	84.574	84.575	84.575	84.575	45.767	47.771	51.058	40.552	50.403	60.449	67.404
40	TOTAL COST OF THERM SOLD (11+27)	72.530	52.606	53.514	61.748	83.488	50.568	105.602	110.369	108.453	103.291	118.652	114.441	80.973
41	TRUE-UP (14)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)	(2.030)
42	TOTAL COST OF GAS (40+41)	70.500	50.576	51.484	59.718	81.458	48.538	103.572	108.339	106.423	101.261	116.622	112.411	78.943
43	REVENUE TAX FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44	PGA FACTOR ADJUSTED FOR TAXES (42+43)	70.85462	50.83007	51.74231	60.01766	81.86730	48.78144	104.09212	108.88338	106.95800	101.77004	117.20806	112.97634	79.34004
45	PGA FACTOR (ROUNDED TO NEAREST .001)	70.855	50.830	51.742	60.018	81.867	48.781	104.092	108.883	106.958	101.770	117.208	112.976	79.340

COMPANY:		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT											SCHEDULE E-2	
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2018 THROUGH JUNE 2018 ESTIMATED JULY 2018 THROUGH DECEMBER 2018												
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL	
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
TRUE-UP CALCULATION														
1	PURCHASED GAS COST	\$1,723,386	\$1,111,671	\$670,935	\$664,465	\$826,427	(\$283,342)	\$1,004,966	\$993,458	\$1,050,637	\$964,444	\$1,391,494	\$1,962,374	\$12,080,914
2	TRANSPORTATION COST	\$1,465,585	\$1,502,928	\$1,536,676	\$1,368,017	\$1,518,035	\$1,424,580	\$1,178,865	\$1,178,663	\$1,161,428	\$1,281,775	\$1,643,065	\$1,679,522	\$16,939,140
3	TOTAL	\$3,188,971	\$2,614,599	\$2,207,611	\$2,032,482	\$2,344,462	\$1,141,238	\$2,183,831	\$2,172,121	\$2,212,065	\$2,246,219	\$3,034,559	\$3,641,896	\$29,020,053
4	FUEL REVENUES (NET OF REVENUE TAX)	\$3,601,086	\$2,612,696	\$2,370,953	\$2,630,046	\$1,929,644	\$2,452,066	\$2,141,851	\$2,132,170	\$2,170,660	\$2,202,074	\$2,982,641	\$3,577,295	\$30,803,181
5	TRUE-UP - (COLLECTED) OR REFUNDED	\$56,593	\$56,593	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$56,595	\$679,136
6	FUEL REVENUE APPLICABLE TO PERIOD	\$3,657,679	\$2,669,289	\$2,427,548	\$2,686,641	\$1,986,239	\$2,508,661	\$2,198,446	\$2,188,765	\$2,227,255	\$2,258,669	\$3,039,236	\$3,633,890	\$31,482,317
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	\$468,708	\$54,690	\$219,937	\$654,159	(\$358,223)	\$1,367,423	\$14,615	\$16,644	\$15,190	\$12,450	\$4,677	(\$8,006)	\$2,462,263
8	INTEREST PROVISION -THIS PERIOD	\$1,383	\$1,733	\$2,051	\$2,791	\$2,939	\$3,740	\$4,945	\$4,884	\$4,825	\$4,761	\$4,689	\$4,600	\$43,341
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$900,091	\$1,313,589	\$1,313,419	\$1,478,812	\$2,079,166	\$1,667,288	\$2,981,855	\$2,944,820	\$2,909,753	\$2,873,173	\$2,833,789	\$2,786,560	\$900,091
10	TRUE-UP COLLECTED OR (REFUNDED)	(\$56,593)	(\$56,593)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$56,595)	(\$679,136)
10a	FLEX RATE REFUND (if applicable)													
11	TOTAL ESTIMATED/ACTUAL TRUE-UP	\$1,313,589	\$1,313,419	\$1,478,812	\$2,079,166	\$1,667,288	\$2,981,855	\$2,944,820	\$2,909,753	\$2,873,173	\$2,833,789	\$2,786,560	\$2,726,559	
INTEREST PROVISION														
12	BEGINNING TRUE-UP	\$900,091	\$1,313,589	\$1,313,419	\$1,478,812	\$2,079,166	\$1,667,288	\$2,981,855	\$2,944,820	\$2,909,753	\$2,873,173	\$2,833,789	\$2,786,560	\$26,082,315
13	ENDING TRUE-UP BEFORE INTEREST	\$1,312,206	\$1,311,686	\$1,476,761	\$2,076,375	\$1,664,349	\$2,978,115	\$2,939,875	\$2,904,869	\$2,868,348	\$2,829,028	\$2,781,871	\$2,721,959	\$27,865,442
14	TOTAL (12+13)	\$2,212,297	\$2,625,275	\$2,790,180	\$3,555,187	\$3,743,515	\$4,645,403	\$5,921,731	\$5,849,689	\$5,778,101	\$5,702,201	\$5,615,660	\$5,508,519	\$53,947,757
15	AVERAGE INTEREST RATE - FIRST DAY OF MONTH	1.49%	1.50%	1.66%	1.86%	1.90%	1.86%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
16	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.50%	1.66%	1.86%	1.90%	1.86%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
17	TOTAL AVERAGE	2.99%	3.16%	3.52%	3.76%	3.76%	3.86%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
18	AVERAGE	1.495%	1.580%	1.760%	1.880%	1.880%	1.930%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	
19	MONTHLY AVERAGE	0.125%	0.132%	0.147%	0.157%	0.157%	0.161%	0.167%	0.167%	0.167%	0.167%	0.167%	0.167%	
20	INTEREST PROVISION	\$1,383	\$1,733	\$2,051	\$2,791	\$2,939	\$3,740	\$4,945	\$4,884	\$4,825	\$4,761	\$4,689	\$4,600	\$43,341
21														

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY			PURCHASED GAS ADJUSTMENT TRANSPORTATION PURCHASES SYSTEM SUPPLY AND END USE ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2019 THROUGH DECEMBER 2019								SCHEDULE E-3	
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	4,003,630	0	4,003,630	\$2,554,773	\$58,087	\$1,604,760	INCLUDED IN COST	105.345	
FEBRUARY	VARIOUS	SYS SUPPLY	N/A	3,750,320	0	3,750,320	\$2,005,921	\$57,576	\$1,505,158	INCLUDED IN COST	95.156	
MARCH	VARIOUS	SYS SUPPLY	N/A	3,513,080	0	3,513,080	\$1,715,223	\$57,096	\$1,602,365	INCLUDED IN COST	96.061	
APRIL	VARIOUS	SYS SUPPLY	N/A	3,165,440	0	3,165,440	\$1,588,321	\$56,394	\$1,528,421	INCLUDED IN COST	100.243	
MAY	VARIOUS	SYS SUPPLY	N/A	2,550,120	0	2,550,120	\$1,426,613	\$55,151	\$1,173,705	INCLUDED IN COST	104.131	
JUNE	VARIOUS	SYS SUPPLY	N/A	2,260,020	0	2,260,020	\$1,292,785	\$54,565	\$1,098,094	INCLUDED IN COST	108.205	
JULY	VARIOUS	SYS SUPPLY	N/A	2,047,340	0	2,047,340	\$1,134,050	\$54,136	\$1,118,609	INCLUDED IN COST	112.673	
AUGUST	VARIOUS	SYS SUPPLY	N/A	1,903,000	0	1,903,000	\$1,081,628	\$53,844	\$1,116,532	INCLUDED IN COST	118.340	
SEPTEMBER	VARIOUS	SYS SUPPLY	N/A	2,188,150	0	2,188,150	\$1,246,662	\$54,420	\$1,103,128	INCLUDED IN COST	109.874	
OCTOBER	VARIOUS	SYS SUPPLY	N/A	2,133,800	0	2,133,800	\$1,055,351	\$54,310	\$1,224,911	INCLUDED IN COST	109.409	
NOVEMBER	VARIOUS	SYS SUPPLY	N/A	2,614,180	0	2,614,180	\$1,516,595	\$55,281	\$1,549,976	INCLUDED IN COST	119.420	
DECEMBER	VARIOUS	SYS SUPPLY	N/A	3,214,470	0	3,214,470	\$1,752,435	\$56,493	\$1,583,096	INCLUDED IN COST	105.524	
TOTAL				33,343,550	0	33,343,550	\$18,370,357	\$667,353	\$16,208,753		105.707	

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2019 THROUGH DECEMBER 2019				SCHEDULE E-4
		PRIOR PERIOD: JANUARY 2017 THROUGH DECEMBER 2017			CURRENT PERIOD: JANUARY 2018 THROUGH DECEMBER 2018	(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 (\$)	\$28,922,680	\$22,599,605	(\$6,323,075)	\$31,482,317	\$25,159,242
2	TRUE-UP PROVISION FOR THE PERIOD OVER/(UNDER) COLLECTION (\$)	\$673,060	\$892,180	\$219,120	\$2,462,263	\$2,681,383
3	INTEREST PROVISION FOR THE PERIOD (\$)	\$2,676	\$4,509	\$1,833	\$43,341	\$45,174
4	END OF PERIOD TOTAL NET TRUE-UP (\$)	\$675,736	\$896,689	\$220,953	\$2,505,604	\$2,726,557
TOTAL TRUE-UP DOLLARS - OVER/(UNDER) RECOVERY						\$2,726,557
PROJECTED THERM SALES FOR JANUARY 2019 - DECEMBER 2019						33,328,010
CENTS PER THERM NECESSARY TO REFUND OVERRECOVERY / (COLLECT UNDERRECOVERY)						8.181

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		PURCHASED GAS ADJUSTMENT THERM SALES AND CUSTOMER DATA											SCHEDULE E-5	
ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2019 THROUGH DECEMBER 2019														
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
PGA COST														
1	Commodity costs	\$2,554,773	\$2,005,921	\$1,715,223	\$1,588,321	\$1,426,613	\$1,292,785	\$1,134,050	\$1,081,628	\$1,246,662	\$1,055,351	\$1,516,595	\$1,752,435	\$18,370,357
2	Transportation costs	\$1,612,847	\$1,512,734	\$1,609,461	\$1,534,815	\$1,178,856	\$1,102,659	\$1,122,745	\$1,120,376	\$1,107,548	\$1,229,221	\$1,555,257	\$1,589,589	\$16,276,106
3	Hedging costs													
4	(financial settlement)													
5	Other	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000
6	Total	\$4,217,620	\$3,568,655	\$3,374,684	\$3,173,136	\$2,655,469	\$2,445,444	\$2,306,795	\$2,252,004	\$2,404,210	\$2,334,572	\$3,121,852	\$3,392,024	\$35,246,463
PGA THERM SALES														
7	Residential	1,641,488	1,537,631	1,440,363	1,297,829	1,045,549	926,608	839,409	780,230	897,142	874,858	1,071,814	1,317,933	13,670,854
8	Commercial	2,362,142	2,212,689	2,072,717	1,867,610	1,504,571	1,333,412	1,207,931	1,122,770	1,291,009	1,258,942	1,542,366	1,896,537	19,672,696
9	Total	4,003,630	3,750,320	3,513,080	3,165,439	2,550,120	2,260,020	2,047,340	1,903,000	2,188,151	2,133,800	2,614,180	3,214,470	33,343,550
PGA REVENUES														
10	Residential	1,719,281	1,453,205	1,373,678	1,291,042	1,078,800	992,689	935,843	913,379	975,784	947,232	1,270,017	1,380,787	14,331,737
11	Commercial	2,474,089	2,091,199	1,976,756	1,857,843	1,552,419	1,428,505	1,346,702	1,314,375	1,404,177	1,363,090	1,827,585	1,986,986	20,623,726
12	Total	4,193,370	3,544,404	3,350,434	3,148,885	2,631,219	2,421,194	2,282,545	2,227,754	2,379,961	2,310,322	3,097,602	3,367,773	34,955,463
NUMBER OF PGA CUSTOMERS														
13	Residential	55,123	55,217	55,444	55,580	55,543	55,552	55,582	55,694	55,761	55,743	55,877	56,113	667,229
14	Commercial	4,102	4,107	4,106	4,097	4,077	4,061	4,065	4,047	4,035	4,029	4,027	4,041	48,794
50	Total	59,225	59,324	59,550	59,677	59,620	59,613	59,647	59,741	59,796	59,772	59,904	60,154	716,023

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DOCKET NO. 20180003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3 (Actual/Estimated and Projections)

4 DIRECT TESTIMONY

5 OF KIRA LAKE

6 On behalf of Florida Public Utilities Company

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

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

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

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

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

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

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

21 A. Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 A. Yes. There is a local distribution company (LDC) to LDC interconnect with
5 TECO/PGS and CFG for pressure stabilization of CFG's system in Hernando
6 County as well as an interconnection to CFG's facilities for Gulfstream's
7 Baseball City Gate southward through Davenport and Haines City. Most
8 recently, CFG expanded into Escambia County and is currently serving
9 customers there.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 A. Yes, included with our purchased gas costs are consulting expenses to assist in
2 the advancement of our PGA processes. Additionally, the Company has
3 included costs associated with IT consulting services to assist in updating a
4 software tool used by the Company to manage customer usage and assist in
5 determining the gas supply needs for the rate classes subject to the PGA.
6 These costs directly influence the Company's PGA factor and are appropriate
7 for recovery through the PGA clause.

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

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

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

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

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

20 A. Yes.