

Writer's Direct Dial Number: (850) 521-1706  
Writer's E-Mail Address: bkeating@gunster.com

August 9, 2019

**E-Portal**

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

**Re: Docket No. 20190003-GU - Purchased gas adjustment (PGA) true-up.**

Dear Mr. Teitzman:

Attached for electronic filing, please find the Petition for Approval of PGA Factor, accompanied by the Direct Testimony and Exhibit MDN-1 of Ms. Michelle Napier and the Testimony of Jacob Case, 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. 20190003-GU

Filed: August 9, 2019

**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, 2020 through December 31, 2020. 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, AVP/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 MDN-1) for its consolidated gas division to support the calculation of the PGA recovery (cap) factor for the period January 2020 through December 2020.
4. As indicated in the testimony of Ms. Michelle D. Napier, FPUC has calculated its total net true-up (including interest and applicable regulatory assessment fees) for the period

January 2018 through December 2018 to be an over-recovery of \$220,953, inclusive of interest.

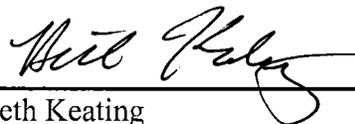
5. Schedule E-4 also shows the projected true-up for the current period January 2018 through December 2018 is an over-recovery of \$2,621,657 inclusive of interest.
6. The total net true-up as shown on Schedule E-4 is an over-recovery of \$753,546 to be refunded during the projected period.
7. Consistent 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 MDN-1 to the Direct Testimony of Ms. Napier.
8. The Company has forecasted the 2020 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 Jacob Case, 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 100.946¢ 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 100.946 cents per therm to be applied to customer's bills for the period January 2020 through December 2020.

RESPECTFULLY SUBMITTED this 9th day of August, 2019.



---

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. 20190003-GU, along with the Testimony and Exhibit MDN-1 of Michelle Napier and the Testimony of Jacob Case, have been furnished by electronic mail to the following parties of record this 9th day of August, 2019:

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

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

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20190003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF MICHELLE D. NAPIER

6                                   On behalf of Florida Public Utilities Company

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

8   A.     My name is Michelle D. Napier. My business address is 1635 Meathe Drive,  
9           West Palm Beach, FL 33411.

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 Regulatory Affairs.

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

15 A.     I received a Bachelor of Science degree in Finance from the University of  
16           South Florida in 1986. I have been employed with FPUC since 1987. During  
17           my employment at FPUC, I have performed various roles and functions in  
18           accounting, including General Accounting Manager before moving to the  
19           Regulatory department in 2011. I am currently the Manager of Regulatory  
20           Affairs. In this role, my responsibilities include directing the regulatory  
21           activities for FPUC. This includes regulatory analysis and filings before the  
22           Florida Public Service Commission (FPSC) for FPUC, FPUC-Indiantown,  
23           FPUC-Fort Meade, Florida Division of Chesapeake Utilities (CFG) and  
24           Peninsula Pipeline Company.

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

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 2018 through June 2019 data and projected July 2019 through  
9 December 2020 data. My testimony will summarize the computations that are  
10 contained in composite exhibit MDN-1 supporting the January through  
11 December 2020 projected PGA recovery (cap) factor for the FPUC  
12 consolidated gas division.

13 **Q. Which schedules have you included in your Exhibit MDN-1?**

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 MDN-1, 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 2020.

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

20 A. Yes, these schedules were completed under my direct supervision and review.

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

22 A. The projection period is January through December 2020.

23 **Q. What is the appropriate final PGA true-up amount for the period**

1           **January through December 2018?**

2    A.    As shown on Schedule E-4, the final PGA true-up amount for the period  
3           January through December 2018 is an under-recovery of \$2,621,657 inclusive  
4           of interest.

5    **Q.    What is the projected PGA true-up amount for the period January**  
6           **through December 2019?**

7    A.    As also shown on Schedule E-4, the projected PGA true-up amount is an over-  
8           recovery of \$3,375,203 inclusive of interest, for the period January through  
9           December 2019.

10   **Q.   What is the total projected PGA true-up amount to be collected from or**  
11           **refunded to customers for the period January through December 2020?**

12   A.    As shown on Schedule E-4, the total net over-recovery to be refunded for the  
13           period January through December 2020 is \$753,546.

14   **Q.   What is the appropriate PGA recovery (cap) factor for the period January**  
15           **through December 2020?**

16   A.    As shown on Schedule E-1, the PGA recovery (cap) factor is ~~100.946¢~~ per  
17           therm for the period January through December 2020.

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

20   A.    The PGA recovery (cap) factor should be effective for all meter readings  
21           during the period of January 1, 2020 through December 31, 2020.

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

23   A.    Yes.

COMPANY:		PURCHASED GAS ADJUSTMENT COST RECOVERY CLAUSE CALCULATION ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2020 THROUGH DECEMBER 2020												SCHEDULE E-1
		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	
<b>COST OF GAS PURCHASED</b>														
1	COMMODITY (Pipeline)	\$6,202	\$5,375	\$4,909	\$4,763	\$3,782	\$3,501	\$3,040	\$2,875	\$3,098	\$3,044	\$4,007	\$5,168	\$49,764
2	NO NOTICE SERVICE	\$8,891	\$6,584	\$5,853	\$3,915	\$1,660	\$1,606	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$48,589
3	SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	COMMODITY (Other)	\$1,591,596	\$1,120,305	\$924,034	\$845,077	\$702,178	\$721,350	\$509,287	\$582,302	\$642,454	\$606,269	\$907,618	\$1,103,271	\$10,255,741
5	DEMAND	\$2,943,061	\$2,874,688	\$2,940,011	\$2,867,149	\$2,528,662	\$2,454,333	\$2,298,618	\$2,307,857	\$2,284,654	\$2,403,880	\$2,735,458	\$2,769,206	\$31,407,577
6	OTHER	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$389,400
<b>LESS END-USE CONTRACT:</b>														
7	COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	DEMAND - SWING SERVICE CREDIT	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$781,192	\$9,374,300
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)	\$3,801,008	\$3,258,210	\$3,126,065	\$2,972,162	\$2,487,540	\$2,432,048	\$2,063,848	\$2,145,937	\$2,183,041	\$2,267,563	\$2,903,403	\$3,135,942	\$32,776,771
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$700	\$400	\$400	\$300	\$300	\$400	\$400	\$500	\$500	\$400	\$500	\$500	\$5,300
14	TOTAL THERM SALES	\$3,800,308	\$3,257,810	\$3,125,665	\$2,971,862	\$2,487,240	\$2,431,648	\$2,063,448	\$2,145,437	\$2,182,541	\$2,267,163	\$2,902,903	\$3,135,442	\$32,771,471
<b>THERMS PURCHASED</b>														
15	COMMODITY (Pipeline)	3,975,720	3,445,620	3,146,570	3,053,080	2,424,210	2,244,150	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	31,899,130
16	NO NOTICE SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-
18	COMMODITY (Other)	3,975,720	3,445,620	3,146,570	3,053,080	2,424,210	2,244,150	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	31,899,130
19	DEMAND	14,276,120	13,331,880	14,209,160	13,005,000	6,828,370	5,775,000	5,979,900	6,130,560	5,887,800	7,736,050	13,857,600	14,310,840	121,328,280
20	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS END-USE CONTRACT:</b>														
21	COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	-
22	DEMAND - SWING SERVICE CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	-
23	COMMODITY (Other)	-	-	-	-	-	-	-	-	-	-	-	-	-
24	TOTAL PURCHASES (+17+18+20)-(21+23)	3,975,720	3,445,620	3,146,570	3,053,080	2,424,210	2,244,150	1,948,560	1,842,820	1,985,990	1,951,060	2,568,810	3,312,540	31,899,130
25	NET UNBILLED	-	-	-	-	-	-	-	-	-	-	-	-	-
26	COMPANY USE	1,742	1,207	1,202	944	1,136	1,294	1,357	1,487	1,598	1,336	1,544	1,539	16,385
27	TOTAL THERM SALES (For Estimated, 24 - 26)	3,973,978	3,444,413	3,145,368	3,052,136	2,423,074	2,242,856	1,947,203	1,841,333	1,984,392	1,949,724	2,567,266	3,311,001	31,882,745
<b>CENTS PER THERM</b>														
28	COMMODITY (Pipeline) (1/15)	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156
29	NO NOTICE SERVICE (2/16)	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 (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)	40.033	32.514	29.366	27.679	28.965	32.144	26.137	31.598	32.349	31.074	35.332	33.306	32.151
32	DEMAND (5/19)	20.615	21.563	20.691	22.047	37.032	42.499	38.439	37.645	38.803	31.074	19.740	19.350	25.886
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
<b>LESS END-USE CONTRACT:</b>														
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)	95.606	94.561	99.348	97.350	102.612	108.373	105.917	116.449	109.922	116.222	113.025	94.669	102.751
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)	40.190	33.127	33.276	31.789	26.418	30.922	29.477	33.625	31.289	29.940	32.383	32.489	32.346
40	TOTAL COST OF THERM SOLD (11/27)	95.647	94.594	99.386	97.380	102.661	108.435	105.990	116.543	110.011	116.302	113.093	94.713	102.804
41	TRUE-UP (REFUND)/RECOVER (E-4)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)
42	TOTAL COST OF GAS (40+41)	93.284	92.231	97.023	95.017	100.298	106.072	103.627	114.180	107.648	113.939	110.730	92.350	100.441
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)	93.75319	92.69454	97.51086	95.49420	100.80150	106.60532	104.14813	114.75335	108.18852	114.51130	111.28662	92.81386	100.94582
45	PGA FACTOR (ROUNDED TO NEAREST .001)	93.753	92.695	97.511	95.494	100.801	106.605	104.148	114.753	108.189	114.511	111.287	92.814	100.946

COMPANY:		PURCHASED GAS ADJUSTMENT COST RECOVERY CLAUSE CALCULATION												SCHEDULE E-1/R
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2019 THROUGH JUNE 2019 ESTIMATED JULY 2019 THROUGH DECEMBER 2019												
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
<b>COST OF GAS PURCHASED</b>														
1	COMMODITY (Pipeline)	\$15,025	\$10,236	\$12,214	\$5,335	\$1,238	5,793	\$4,136	\$3,844	\$4,420	\$4,310	\$5,281	\$6,493	\$78,324
2	NO NOTICE SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$1,645	\$1,645	\$1,577	\$3,112	\$5,062	\$7,039	\$20,080
3	SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	COMMODITY (Other)	\$1,873,255	\$611,309	\$675,601	\$215,208	\$772,655	\$46,311	\$1,134,050	\$1,081,628	\$1,246,662	\$1,055,351	\$1,516,595	\$1,752,435	\$11,981,059
5	DEMAND	\$1,707,575	\$1,746,538	\$1,803,592	\$1,774,072	\$1,466,540	\$1,369,509	\$1,560,524	\$1,558,447	\$1,545,111	\$1,665,359	\$1,988,474	\$2,019,617	\$20,205,359
6	OTHER	\$43,681	\$30,420	\$28,919	\$42,579	\$32,167	\$36,523	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$514,289
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	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$443,560	\$2,661,361
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)	\$3,639,536	\$2,398,504	\$2,520,326	\$2,037,193	\$2,272,600	\$1,458,136	\$2,306,795	\$2,252,004	\$2,404,210	\$2,334,572	\$3,121,852	\$3,392,024	\$30,137,750
12	NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	COMPANY USE	\$1,473	\$1,021	\$1,017	\$798	\$983	\$1,120	\$700	\$700	\$1,100	\$600	\$600	\$600	\$10,712
14	TOTAL THERM SALES	\$3,421,894	\$3,056,542	\$2,440,460	\$2,530,260	\$2,420,496	\$2,235,061	\$2,306,095	\$2,251,304	\$2,403,110	\$2,333,972	\$3,121,252	\$3,391,424	\$31,911,869
<b>THERMS PURCHASED</b>														
15	COMMODITY (Pipeline)	3,338,790	2,331,580	2,782,220	1,215,180	350,330	709,280	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	24,828,320
16	NO NOTICE SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	0
17	SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	0
18	COMMODITY (Other)	3,424,179	2,912,501	1,962,752	2,283,927	1,781,176	678,427	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	27,143,902
19	DEMAND	12,360,939	10,703,747	11,544,452	10,623,796	4,673,293	3,495,104	6,577,270	6,564,560	6,442,500	8,333,730	14,463,600	14,937,970	110,720,961
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+23)	3,424,179	2,912,501	1,962,752	2,283,927	1,781,176	678,427	2,047,340	1,903,000	2,188,150	2,133,800	2,614,180	3,214,470	27,143,902
25	NET UNBILLED	0	0	0	0	0	0	0	0	0	0	0	0	0
26	COMPANY USE	1,742	1,207	1,202	944	1,136	1,294	1,290	1,310	1,970	1,210	1,080	1,160	15,544
27	TOTAL THERM SALES (For Estimation, 24 - 26)	3,784,763	3,414,158	2,845,645	2,846,940	2,404,200	2,139,515	2,046,050	1,901,690	2,186,180	2,132,590	2,613,100	3,213,310	31,528,141
<b>CENTS PER THERM</b>														
28	COMMODITY (Pipeline) (1/25)	0.450	0.439	0.439	0.439	0.353	0.817	0.202	0.202	0.202	0.202	0.202	0.202	0.315
29	NO NOTICE SERVICE (2/26)	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 (3/27)	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) (4/28)	54.707	20.989	34.421	9.423	43.379	6.826	55.391	56.838	56.973	49.459	58.014	54.517	44.139
32	DEMAND (5/29)	13.814	16.317	15.623	16.699	31.381	39.184	23.726	23.740	23.983	19.983	13.748	13.520	18.249
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)	106.289	82.352	128.408	89.197	127.590	214.929	112.673	118.340	109.874	109.409	119.420	105.524	111.030
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	84.575	84.575	86.565	86.565	54.264	53.435	55.838	49.587	55.556	51.724	68.913
40	TOTAL COST OF THERM SOLD (13/27)	96.163	70.252	88.568	71.557	94.526	68.153	112.744	118.421	109.973	109.471	119.469	105.562	95.590
41	TRUE-UP (1/4)	(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 (40+41)	87.982	62.071	80.387	63.376	86.345	59.972	104.563	110.240	101.792	101.290	111.288	97.381	87.409
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)	88.42396	62.38259	80.79077	63.69474	86.77912	60.27302	105.08824	110.79414	102.30360	101.79918	111.84751	97.87000	87.84823
45	PGA FACTOR (ROUNDED TO NEAREST .001)	88.424	62.383	80.791	63.695	86.779	60.273	105.088	110.794	102.304	101.799	111.848	97.870	87.848

COMPANY:		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT											SCHEDULE E-2	
FLORIDA PUBLIC UTILITIES COMPANY		ACTUAL JANUARY 2019 THROUGH JUNE 2019 ESTIMATED JULY 2019 THROUGH DECEMBER 2019												
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	TOTAL	
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
<b>TRUE-UP CALCULATION</b>														
1	PURCHASED GAS COST	\$1,873,255	\$611,309	\$675,601	\$215,208	\$772,655	\$46,311	\$1,134,050	\$1,081,628	\$1,246,662	\$1,055,351	\$1,516,595	\$1,752,435	\$11,981,059
2	TRANSPORTATION COST	\$1,766,281	\$1,787,194	\$1,844,725	\$1,821,985	\$1,499,945	\$1,411,825	\$1,172,745	\$1,170,376	\$1,157,548	\$1,279,221	\$1,605,257	\$1,639,589	\$18,156,691
3	TOTAL	\$3,639,536	\$2,398,504	\$2,520,326	\$2,037,193	\$2,272,600	\$1,458,136	\$2,306,795	\$2,252,004	\$2,404,210	\$2,334,572	\$3,121,852	\$3,392,024	\$30,137,750
4	FUEL REVENUES (NET OF REVENUE TAX)	\$3,421,894	\$3,056,542	\$2,440,460	\$2,530,260	\$2,420,496	\$2,235,061	\$2,139,407	\$2,096,427	\$2,225,358	\$2,160,105	\$2,908,074	\$3,129,143	\$30,763,227
5	TRUE-UP - (COLLECTED) OR REFUNDED	\$227,214	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$227,213	\$2,726,557
6	FUEL REVENUE APPLICABLE TO PERIOD	\$3,649,108	\$3,283,755	\$2,667,673	\$2,757,473	\$2,647,709	\$2,462,274	\$2,366,620	\$2,323,640	\$2,452,571	\$2,387,318	\$3,135,287	\$3,356,356	\$33,489,784
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	\$9,572	\$885,251	\$147,347	\$720,280	\$375,109	\$1,004,138	\$59,825	\$71,636	\$48,361	\$52,746	\$13,435	(\$35,668)	\$3,352,034
8	INTEREST PROVISION - THIS PERIOD	(\$8)	\$437	\$1,022	\$1,441	\$2,091	\$2,940	\$3,380	\$3,035	\$2,733	\$2,413	\$2,060	\$1,625	\$23,169
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$104,897	(\$112,753)	\$545,722	\$466,878	\$961,387	\$1,111,374	\$1,891,239	\$1,727,231	\$1,574,689	\$1,398,570	\$1,226,516	\$1,014,798	\$104,897
10	TRUE-UP COLLECTED OR (REFUNDED)	(\$227,214)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$227,213)	(\$2,726,557)
10a	FLEX RATE REFUND (if applicable)													
11	TOTAL ESTIMATED/ACTUAL TRUE-UP	(\$112,753)	\$545,722	\$466,878	\$961,387	\$1,111,374	\$1,891,239	\$1,727,231	\$1,574,689	\$1,398,570	\$1,226,516	\$1,014,798	\$753,543	
<b>INTEREST PROVISION</b>														
12	BEGINNING TRUE-UP	\$104,897	(\$112,753)	\$545,722	\$466,878	\$961,387	\$1,111,374	\$1,891,239	\$1,727,231	\$1,574,689	\$1,398,570	\$1,226,516	\$1,014,798	\$11,910,548
13	ENDING TRUE-UP BEFORE INTEREST	(\$112,745)	\$545,285	\$465,856	\$959,946	\$1,109,283	\$1,888,299	\$1,723,851	\$1,571,654	\$1,395,837	\$1,224,103	\$1,012,738	\$751,918	\$12,536,025
14	TOTAL (12+13)	(\$7,848)	\$432,532	\$1,011,579	\$1,426,824	\$2,070,670	\$2,999,673	\$3,615,089	\$3,298,885	\$2,970,526	\$2,622,673	\$2,239,255	\$1,766,716	\$24,446,574
15	AVERAGE	(\$3,924)	\$216,266	\$505,789	\$713,412	\$1,035,335	\$1,499,836	\$1,807,545	\$1,649,442	\$1,485,263	\$1,311,337	\$1,119,627	\$883,358	\$12,223,287
16	INTEREST RATE - FIRST DAY OF MONTH	2.50%	2.42%	2.42%	2.43%	2.42%	2.42%	2.28%	2.21%	2.21%	2.21%	2.21%	2.21%	
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	2.42%	2.42%	2.43%	2.42%	2.42%	2.28%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	
18	TOTAL	4.92%	4.84%	4.85%	4.85%	4.84%	4.70%	4.49%	4.42%	4.42%	4.42%	4.42%	4.42%	
19	AVERAGE	2.460%	2.420%	2.425%	2.425%	2.420%	2.350%	2.245%	2.210%	2.210%	2.210%	2.210%	2.210%	
20	MONTHLY AVERAGE	0.205%	0.202%	0.202%	0.202%	0.202%	0.196%	0.187%	0.184%	0.184%	0.184%	0.184%	0.184%	
21	INTEREST PROVISION	(\$8)	\$437	\$1,022	\$1,441	\$2,091	\$2,940	\$3,380	\$3,035	\$2,733	\$2,413	\$2,060	\$1,625	\$23,169



COMPANY: <b>FLORIDA PUBLIC UTILITIES COMPANY</b>		PURCHASED GAS ADJUSTMENT CALCULATION OF TRUE-UP AMOUNT ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2020 THROUGH DECEMBER 2020				SCHEDULE E-4
		PRIOR PERIOD: JANUARY 2018 THROUGH DECEMBER 2018			CURRENT PERIOD: JANUARY 2019 THROUGH DECEMBER 2019	(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 (\$)	\$31,482,317	\$27,448,294	(\$4,034,023)	\$33,489,784	\$29,455,761
2	TRUE-UP PROVISION FOR THE PERIOD OVER/(UNDER) COLLECTION (\$)	\$2,462,263	(\$146,289)	(\$2,608,552)	\$3,352,034	\$743,482
3	INTEREST PROVISION FOR THE PERIOD (\$)	\$43,341	\$30,236	(\$13,105)	\$23,169	\$10,064
4	END OF PERIOD TOTAL NET TRUE-UP (\$)	\$2,505,604	(\$116,053)	(\$2,621,657)	\$3,375,203	\$753,546
TOTAL TRUE-UP DOLLARS - OVER/(UNDER) RECOVERY						\$753,546
PROJECTED THERM SALES FOR JANUARY 2020 - DECEMBER 2020						31,882,745
CENTS PER THERM NECESSARY TO REFUND OVERRECOVERY / (COLLECT UNDERRECOVERY)						<u>2.363</u>

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		PURCHASED GAS ADJUSTMENT THERM SALES AND CUSTOMER DATA											SCHEDULE E-5	
ESTIMATED FOR THE PROJECTED PERIOD JANUARY 2020 THROUGH DECEMBER 2020														
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total	
<b>PGA COST</b>														
1	Commodity costs	\$1,591,596	\$1,120,305	\$924,034	\$845,077	\$702,178	\$721,350	\$509,287	\$582,302	\$642,454	\$606,269	\$907,618	\$1,103,271	\$10,255,741
2	Transportation costs	\$2,958,154	\$2,886,647	\$2,950,773	\$2,875,827	\$2,534,104	\$2,459,440	\$2,303,303	\$2,312,377	\$2,289,329	\$2,410,036	\$2,744,527	\$2,781,413	\$31,505,930
3	Hedging costs													
4	(financial settlement)													
5	Other	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$32,450	\$389,400
6	<b>Total</b>	<b>\$4,582,200</b>	<b>\$4,039,402</b>	<b>\$3,907,257</b>	<b>\$3,753,354</b>	<b>\$3,268,732</b>	<b>\$3,213,240</b>	<b>\$2,845,040</b>	<b>\$2,927,129</b>	<b>\$2,964,233</b>	<b>\$3,048,755</b>	<b>\$3,684,595</b>	<b>\$3,917,134</b>	<b>\$42,151,071</b>
<b>PGA THERM SALES</b>														
7	Residential	1,630,045	1,412,704	1,290,094	1,251,762	993,926	920,102	798,910	755,556	814,256	799,935	1,053,212	1,358,141	13,078,643
8	Commercial	2,345,675	2,032,916	1,856,476	1,801,317	1,430,284	1,324,049	1,149,650	1,087,264	1,171,734	1,151,125	1,515,598	1,954,399	18,820,487
9	<b>Total</b>	<b>3,975,720</b>	<b>3,445,620</b>	<b>3,146,570</b>	<b>3,053,079</b>	<b>2,424,210</b>	<b>2,244,151</b>	<b>1,948,560</b>	<b>1,842,820</b>	<b>1,985,990</b>	<b>1,951,060</b>	<b>2,568,810</b>	<b>3,312,540</b>	<b>31,899,130</b>
<b>PGA REVENUES</b>														
10	Residential	1,558,413	1,335,865	1,281,687	1,218,586	1,019,891	997,140	846,178	879,834	895,047	929,701	1,190,395	1,285,736	13,438,473
11	Commercial	2,242,595	1,922,344	1,844,378	1,753,576	1,467,649	1,434,909	1,217,670	1,266,103	1,287,994	1,337,862	1,713,008	1,850,206	19,338,294
12	<b>Total</b>	<b>3,801,008</b>	<b>3,258,209</b>	<b>3,126,065</b>	<b>2,972,162</b>	<b>2,487,540</b>	<b>2,432,049</b>	<b>2,063,848</b>	<b>2,145,937</b>	<b>2,183,041</b>	<b>2,267,563</b>	<b>2,903,403</b>	<b>3,135,942</b>	<b>32,776,767</b>
<b>NUMBER OF PGA CUSTOMERS</b>														
13	Residential	57,335	57,397	57,619	57,874	57,718	57,752	57,796	57,939	58,021	58,014	58,209	58,450	694,124
14	Commercial	4,030	4,029	4,022	4,036	4,032	4,012	4,024	4,015	4,010	3,989	3,987	3,994	48,180
50	<b>Total</b>	<b>61,365</b>	<b>61,426</b>	<b>61,641</b>	<b>61,910</b>	<b>61,750</b>	<b>61,764</b>	<b>61,820</b>	<b>61,954</b>	<b>62,031</b>	<b>62,003</b>	<b>62,196</b>	<b>62,444</b>	<b>742,304</b>

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2           DOCKET NO. 20190003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.

3                                   (Actual/Estimated and Projections)

4                                   DIRECT TESTIMONY

5                                   OF JACOB E. CASE

6                                   On behalf of Florida Public Utilities Company

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

8    A.     My name is Jacob Case. My business address is 1750 S. 14th Street, Suite 200,  
9           Fernandina Beach FL, 32034.

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

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

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

15 A.     I graduated from the University of North Florida in 2016 with a Bachelor’s of  
16           Business Administration degree in Finance. I have been employed by FPUC  
17           since October of 2018.

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

20 A.     Yes.

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

23 A.     No

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

1 A. No. Numerical references made in my testimony relate to Exhibit MDN-1  
2 being sponsored by Michelle Napier.

3

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

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

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

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

5 A. The Company has forecasted the 2020-weighted average cost of gas using the  
6 projected monthly pipeline demand costs, less the projected cost of capacity  
7 temporarily relinquished to third parties, the projected pipeline usage and no-  
8 notice costs and the projected supplier commodity costs. The weighted average  
9 cost of gas also includes projected costs related to our purchased gas functions  
10 and anticipated a credit for the swing service rider. The sum of these costs are  
11 then divided by the projected therm sales to the traditional non-transportation  
12 customers resulting in the projected weighted average cost of gas and  
13 ultimately the PGA recovery (cap) factor, as shown on Schedule E-1.  
14 Capacity shortfall if any, would be satisfied by gas and capacity repackaged  
15 and delivered by another FGT or SONAT capacity holder. If other services  
16 become available and it is economic to dispatch supplies under those services,  
17 the Company will utilize those services as part of its portfolio.

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

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

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

4 A. Yes. There is a Local Distribution Company (“LDC”) to LDC interconnect  
5 with TECO/PGS and CFG for pressure stabilization of CFG’s system in  
6 Hernando County. There is also an interconnection to CFG’s facilities for  
7 Gulfstream’s Baseball City Gate southward through Davenport and Haines  
8 City as well as the expansion into Escambia County. Finally, there is an  
9 interconnection to CFG’s facilities from a new Gulfstream gate station in  
10 Auburndale that will be in service August of 2019.

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

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

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

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

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

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

13 A. As shown on Schedule E-1, the Company has reduced PGA costs of  
14 \$9,374,300 attributable to the Swing Service Rider allocated to certain gas  
15 transportation customers.

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

18 A. The Company compiled the actual throughput volumes, based on the most  
19 recent 12-months usage data, for each affected transportation and sales rate  
20 schedule to determine the percentage split between transportation and sales  
21 service customers relative to the total throughput for the affected rate  
22 schedules. The split for allocating the annual total intrastate and LDC-to-LDC  
23 capacity costs of \$7.3 million is 72.30 percent (\$5.3 million) to transportation

1 customers and 27.7 percent (\$2.0 million) to sales customers. Then, the  
2 transportation customers' share of the \$5.3 million would be allocated to the  
3 affected transportation rate schedules in proportion to each rate schedule's  
4 share of the total throughput for the affected transportation rate schedules. The  
5 costs allocated to each rate schedule was then divided by the rate schedule's  
6 number of therms to calculate the cost recovery factor to be billed by rate  
7 schedule directly to the transportation customers. Since the Company  
8 recognized that implementation of the swing service rider could have a  
9 significant financial impact on large volume customers, the Company  
10 requested and received approval of a stepped implementation process, annually  
11 applying a rate of 20 percent of the total allocation until 100 percent is reached  
12 in five years. Therefore, the Company applied a rate of 80 percent this year to  
13 the large volume customers.

14 **Q. Have the appropriate related costs and credits been included in the**  
15 **Projections for 2020?**

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

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

22 A. Yes, included with our purchased gas costs are consulting expenses to assist in  
23 the advancement of our PGA processes. Additionally, the Company has

1 included costs associated with a software tool used by the Company to manage  
2 customer usage and assist in determining the gas supply needs for the rate  
3 classes subject to the PGA. These costs directly influence the Company's  
4 PGA factor and are appropriate for recovery through the PGA clause.

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

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

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

15 A. The projection period is January through December 2020.

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

17 A. Yes.