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August 1, 2025

**VIA E-PORTAL**

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

**Re: Docket No. 20250003-GU – Purchased Gas Adjustment (PGA) True Up.**

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Public Utilities Company and Florida City Gas, please find the Testimony of Mr. Jeffrey Bates.

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,



Gregory M. Munson  
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215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1713

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 20250003-GU - In Re: Purchased Gas Adjustment (PGA) True-Up.  
(Actual/Estimated and Projections)

DIRECT TESTIMONY  
OF JEFFREY B BATES

On behalf of Florida Public Utilities Company and Florida City Gas

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

A. My name is Jeffrey Bates. My business address is 331 W. Central Ave, Suite  
238, Winter Haven, FL 33880.

**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 Energy Logistics Analyst.

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

A. I graduated from Delaware State University in 1994 with a Bachelor's of Science  
degree in Accounting. I graduated from Wilmington University in 1999 with a  
Masters of Business Administration. I have been employed by FPUC since  
January of 1996.

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

A. Yes.

**Q. Have you ever testified before the Florida Public Service Commission  
("FPSC")?**

1 A. Yes.

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

3 A. No. Numerical references made in my testimony relate to Exhibit DW-2 being  
4 sponsored by Diana Williams.

5 **Q. Have there been any changes in the PGA filing compared to the prior year?**

6 No.

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

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

1 and the Henry Hub natural gas futures settlements provided by the Nymex plus  
2 the locational basis settlements at FGT Zone 3 provided by Intercontinental  
3 Exchange through the end of the projection period. The forecasts of the  
4 commodity costs were then adjusted to reflect the unexpected potential market  
5 increases in the projection period.

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

8 A. The Company has forecasted the 2026 weighted average cost of gas using the  
9 projected monthly pipeline demand costs, less the projected cost of capacity  
10 temporarily relinquished to third parties, the projected pipeline usage and no-  
11 notice costs and the projected supplier commodity costs. The weighted average  
12 cost of gas also includes projected costs related to our purchased gas functions  
13 and anticipated a credit for the swing service rider and transportation balancing  
14 charge. The sum of these costs is then divided by the projected therm sales to  
15 the traditional non-transportation customers resulting in the projected weighted  
16 average cost of gas and ultimately the PGA recovery (cap) factor, as shown on  
17 Schedule E-1. Capacity shortfall if any, would be satisfied by gas and capacity  
18 repackaged and delivered by another FGT, or Gulfstream capacity holder. If  
19 other services become available and it is economic to dispatch supplies under  
20 those services, the Company will utilize those services as part of its portfolio.

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

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

4 **Q. Did you include costs of other expansions or interconnects related to Florida**  
5 **Public Utilities Company and Florida City Gas in the calculations of your**  
6 **true-up and projected amounts?**

7 A. Yes. There is a Local Distribution Company ("LDC") to LDC interconnect with  
8 TECO/PGS and FPUC (former CFG facilities) for pressure stabilization of  
9 FPUC's system in Hernando County. There is also an interconnection to  
10 FPUC's facilities for Gulfstream's Baseball City Gate southward through  
11 Davenport and Haines City and the expansion into Escambia County. There is  
12 an interconnection to FPUC's facilities from a new Gulfstream gate station in  
13 Auburndale. There are additional expansion projects and reinforcement projects  
14 that will enhance delivery in Hillsborough and Polk counties serving FPUC  
15 customers. The East Coast Reinforcement Projects will increase supply  
16 capability and enhance reliability to FPUC's service territories in Boynton  
17 Beach and New Smyrna Beach. There are multi-phase expansion projects in  
18 Nassau County that will serve FPUC Residential and Commercial customers.  
19 Finally, there is are expansion project in the area of St Cloud, Plant City, and  
20 Lake Mattie, Florida that will serve projected growth for FPUC customers.  
21 Additionally, for FCG, the Indian River, Pioneer Supply Header, Brevard and  
22 Medley reinforcement and expansion projects.

1   **Q.    Please explain the Swing Service Rider and Transportation Balancing**  
2       **Charge.**

3    A.   On April 11, 2016, Docket No. 20160085-GU, Florida Public Utilities, CFG,  
4       Florida Public Utilities Indiantown and Ft. Meade Divisions (“FPUC”) the  
5       Companies) filed a joint petition for approval of the Swing Service Rider with  
6       this Commission. The Swing Service Rider proposed that the allocation of all  
7       costs be expanded to include transportation service customers on FPUC’s  
8       system (i.e., customers who are not part of the current PGA mechanism) as well  
9       as shippers that are not part of the TTS pools. The Companies believe that these  
10      customers ultimately should bear their fair portion of the intrastate capacity  
11      costs. However, the Companies recognize that shippers for the larger classes of  
12      customers provide a service under contracts that will likely need to be amended  
13      to adjust for the revised cost allocations and systems need to be implemented to  
14      allow for billing of these charges to transportation customers and/or shippers.  
15      This petition was approved September 2016, Order No. PSC-2016-0422-TRF-  
16      GU. In a similar way per March 2024, Order No. PFSC-2024-0076-TRF-GU  
17      FCG allocates the incremental portion of the capacity and storage costs to the  
18      Transportation Customers.

19   **Q.    What is the effect of Swing Service Rider and Transportation Balancing**  
20       **Charge on PGA costs?**

21   A.   As shown on Schedule E-1, the Companies have reduced PGA costs of  
22       \$28,915,640 attributable to the Swing Service Rider and Transportation  
23       Balancing Charge allocated to certain gas transportation customers.

1   **Q.    Have the appropriate related costs and credits been included in the**  
2       **Projections for 2026?**

3    A.   Yes, as more specifically reflected in Schedule E-1 and E-3 of Exhibit DW-2, the  
4       Companies have included the costs of existing and planned interstate and  
5       intrastate capacity agreements, as well as the costs associated with the Swing  
6       Service Rider as described above.

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

9    A.   Yes, included with our purchased gas costs are consulting and legal expenses to  
10       assist in the advancement of our PGA processes. Additionally, the Company has  
11       included costs associated with a software tool used by the Company to manage  
12       customer usage and assist in determining the gas supply needs for the rate classes  
13       subject to the PGA. This new system went live in May of 2022. These costs  
14       directly influence the Company's PGA factor and are appropriate for recovery  
15       through the PGA clause. Also, in addition to these costs, there is a level of  
16       payroll and departmental expenses included for employees directly involved in  
17       the PGA process, which is similar to payroll included in the Companies  
18       conservation clauses.

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

21   A.   The costs the Company has included are integrally related to the gas purchase  
22       function and were not anticipated or included in the cost levels used to establish  
23       the current base rates. These costs relate to the Company's optimization of fuel

1           supply in an effort to protect current fuel savings, and directly benefit our  
2           customers. These costs have historically been allowed for recovery through the  
3           PGA and are not being recovered through the Companies' base rates.

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

5   A.    The projection period is January through December 2026.

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

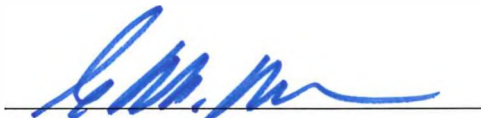
7   A.    Yes.



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Testimony of Jeffrey Bates on behalf of FPUC and FCG has been furnished by Electronic Mail to the following parties of record this 1<sup>st</sup> day of August 2025:

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