

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY**

3 **OF JERRY H. MELENDY**

4 **ON BEHALF OF SEBRING GAS SYSTEM, INC**

5 **DOCKET NO. 100004-GU**

6 **May 2010**

7

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

9 A. My name is Jerry H. Melendy. My business address is Sebring Gas System,
10 Inc., P.O. Box 8, US Highway 27 South, Sebring, FL 33870.

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

12 A. I am Vice President of Sebring Gas System, Inc. (the "Company").

13 **Q. ARE YOU FAMILIAR WITH THE COMPANY'S CURRENT ENERGY**
14 **CONSERVATION PROGRAMS?**

15 A. Yes.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. My testimony present data and summaries that describe the planned and
18 actual activities and expenses for the Company's energy conservation
19 programs incurred during the period January 2009 through December 2009. I
20 will also identify the final conservation true-up amount for the above
21 referenced period.

DOCUMENT NUMBER-DATE

03630 MAY-3 2010

FPSC-COMMISSION CLERK

1 Q. HAVE YOU PREPARED A SUMMARY OF THE COMPANY'S
2 CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED WITH
3 THESE PROGRAMS?

4 A. Yes. Summaries of the Company's four approved programs for which cost
5 were incurred during the period January 2009 through December 2009 are
6 included in Schedule CT-6 of Exhibit JHM-1. Included are the Residential
7 New Construction Program, the Residential Appliance Replacement
8 Program, the Residential Appliance Retention Program and the Conservation
9 Education Program.

10 Q. HAVE YOU PREPARED SCHEDULES WHICH SHOW THE
11 EXPENDITURES ASSOCIATED WITH THE COMPANY'S ENERGY
12 CONSERVATION PROGRAMS FOR THE APPLICABLE PERIOD?

13 A. Yes. Exhibit JHM-1 includes schedules CT-1, CT-2 and CT-3 detail the
14 Company's actual conservation related expenditures for the period, along
15 with a comparison of the actual program costs and true-up to the projected
16 costs and true-up for the period.

17 Q. WHAT WAS THE TOTAL COST INCURRED BY THE COMPANY TO
18 ADMINISTER ITS FOUR CONSERVATION PROGRAMS FOR THE
19 TEWLVE MONTH PERIOD ENDING DECEMBER 2009?

20 A. As indicated on Schedule CT-2, page 2, of Exhibit JHM-1, the Company's
21 total 2009 program costs were \$11,926.

1 Q. HAVE YOU PREPARED A SCHEDULE WHICH SHOWS THE VARIANCE
2 OF ACTUAL FROM PROJECTED COSTS BY CATEGORIES OF
3 EXPENSES?

4 A. Yes. Schedule CT-2, page 3, of Exhibit JHM-1, displays these variances.

5 Q. WHAT IS THE COMPANY'S FINAL TRUE-UP FOR THE TWELVE
6 MONTHS ENDING DECEMBER 2009?

7 A. The final true-up amount as shown on Schedule CT-1, of Exhibit JHM-1, is
8 an over-recovery of \$10,658.

9 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

10 A. Yes.

Docket No. 100004-GU

Exhibit _____ (JHM-1)

SEBRING GAS SYSTEM, INC.

CONSERVATION COST RECOVERY TRUE-UP

January 1, 2009 through December 31, 2009

CONTENTS

Schedule CT-1

(1 of 1) Adjusted Net True-up

Schedule CT-2

(1 of 3) Analysis of Energy Conservation Program Costs
Actual vs. Estimated

(2 of 3) Actual Conservation Program Costs per Program

(3 of 3) Conservation Costs per Program- Variance Actual vs. Projected

Schedule CT-3

(1 of 3) Energy Conservation Adjustment Calculation of True-Up and
Interest Provision- Summary of Expenses by Program by Month

(2 of 3) Energy Conservation Adjustment Calculation of True-Up and
Interest Provision

(3 of 3) Calculation of True-Up and Interest Provision

Schedule CT-4

(1 of 1) Schedule of Capital Investments, Depreciation and Return

Schedule CT-5

(1 of 1) Reconciliation and Explanation of Differences between Filing and
PSC Audit Report for January 2007 through December 2007.

Schedule CT-6 Program Description and Progress

(1 of 4) Residential New Construction Program

(2 of 4) Residential Appliance Replacement Program

(3 of 4) Residential Appliance Retention Program

(4 of 4) Conservation Education Program

SCHEDULE CT-1

COMPANY: Sebring Gas System
Docket No. 100004-GU
Exhibit JHM-1
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ADJUSTED NET TRUE-UP
FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

END OF PERIOD NET TRUE-UP

PRINCIPLE	(23,926)	
INTEREST	<u>(112)</u>	(24,038)

LESS PROJECTED TRUE-UP

PRINCIPLE	(34,598)	
INTEREST	<u>(98)</u>	<u>(34,696)</u>

ADJUSTED NET TRUE-UP

10,658

() REFLECTS OVER-RECOVERY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED

JANUARY 2009 THROUGH DECEMBER 2009

	<u>ACTUAL</u>	<u>PROJECTED</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	2,734	2,400	334
MATERIALS & SUPPLIES	0	150	(150)
ADVERTISING	3,593	5,052	(1,459)
INCENTIVES	1,875	2,675	(800)
OUTSIDE SERVICES	3,725	4,662	(938)
VEHICLES	0	300	(300)
OTHER	<u>0</u>	<u>150</u>	<u>(150)</u>
SUB-TOTAL	11,926	15,389	(3,463)
PROGRAM REVENUES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL PROGRAM COSTS	11,926	15,389	(3,463)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BASE	0	0	0
CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(35,852)	(19,209)	(16,643)
ROUNDING ADJUSTMENT	<u>0</u>	<u>0</u>	<u>0</u>
TRUE-UP BEFORE INTEREST	(23,926)	(34,598)	10,672
INTEREST PROVISION	<u>(112)</u>	<u>(98)</u>	<u>(14)</u>
END OF PERIOD TRUE-UP	<u>(24,038)</u>	<u>(34,696)</u>	<u>10,658</u>

() REFLECTS OVER-RECOVERY

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: Residential New Construction Program	0	911	0	0	350	1,242	0	0	2,503
PROGRAM 2: Residential Appliance Replacement Program	0	911	0	0	625	1,242	0	0	2,778
PROGRAM 3: Residential Appliance Retention Program	0	911	0	0	900	1,242	0	0	3,053
PROGRAM 4: Conservation Education	0	0	0	3,593	0	0	0	0	3,593
TOTAL	0	2,734	0	3,593	1,875	3,725	0	0	11,926

CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED
FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: Residential New Construction Program	0	111	(50)	0	0	(313)	(100)	(50)	(401)
PROGRAM 2: Residential Appliance Replacement Program	0	111	(50)	0	(700)	(313)	(100)	(50)	(1,101)
PROGRAM 3: Residential Appliance Retention Program	0	111	(50)	0	(100)	(313)	(100)	(50)	(501)
PROGRAM 4: Conservation Education	0	0	0	(1,459)	0	0	0	0	(1,459)
TOTAL	0	334	(150)	(1,459)	(800)	(938)	(300)	(150)	(3,463)

() REFLECTS PROJECTED OVER ACTUAL EXPENSE ESTIMATES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH
FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

EXPENSES:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
PROGRAM 1: Residential New Construction Program	0	0	0	0	904	0	0	0	1,060	72	238	229	2,503
PROGRAM 2: Residential Appliance Replacement Program	0	0	0	0	554	0	0	525	1,060	172	238	229	2,778
PROGRAM 3: Residential Appliance Retention Program	0	0	0	0	554	0	0	0	1,060	622	588	229	3,053
PROGRAM 4: Conservation Education	0	0	500	0	1,326	0	0	0	0	250	1,517	0	3,593
TOTAL	0	0	500	0	3,338	0	0	525	3,180	1,115	2,581	687	11,926
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	0	0	500	0	3,338	0	0	525	3,180	1,115	2,581	687	11,926

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1 RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3 CONSERV. ADJ REVS	(833)	(815)	(830)	(692)	(583)	(624)	(570)	(558)	(549)	(578)	(624)	(773)	(8,032)
4 TOTAL REVENUES	(833)	(815)	(830)	(692)	(583)	(624)	(570)	(558)	(549)	(578)	(624)	(773)	(8,032)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(27,820)
6 CONSERVATION REVS APPLICABLE TO THE PERIOD	(3,152)	(3,133)	(3,149)	(3,011)	(2,902)	(2,943)	(2,889)	(2,877)	(2,868)	(2,897)	(2,942)	(3,091)	(35,852)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	0	0	500	0	3,338	0	0	525	3,180	1,115	2,581	687	11,926
8 TRUE-UP THIS PERIOD	(3,152)	(3,133)	(2,649)	(3,011)	436	(2,943)	(2,889)	(2,352)	312	(1,782)	(361)	(2,404)	(23,926)
9 INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(16)	(19)	(16)	(12)	(9)	(8)	(8)	(7)	(6)	(5)	(4)	(4)	(112)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(27,820)	(28,669)	(29,503)	(29,849)	(30,554)	(27,808)	(28,440)	(29,018)	(29,058)	(26,434)	(25,902)	(23,949)	
11 PRIOR TRUE-UP COLLECTED/(REFUNDED)	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(28,669)	(29,503)	(29,849)	(30,554)	(27,808)	(28,440)	(29,018)	(29,058)	(26,434)	(25,902)	(23,949)	(24,038)	(24,038)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. BEGINNING TRUE-UP	(27,820)	(28,669)	(29,503)	(29,849)	(30,554)	(27,808)	(28,440)	(29,018)	(29,058)	(26,434)	(25,902)	(23,949)	
2. ENDING TRUE-UP BEFORE INTEREST	(28,653)	(29,484)	(29,833)	(30,542)	(27,800)	(28,432)	(29,010)	(29,051)	(26,428)	(25,897)	(23,944)	(24,034)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(56,473)	(58,153)	(59,336)	(60,391)	(58,353)	(56,241)	(57,450)	(58,069)	(55,486)	(52,330)	(49,846)	(47,983)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(28,237)	(29,077)	(29,668)	(30,196)	(29,177)	(28,120)	(28,725)	(29,035)	(27,743)	(26,165)	(24,923)	(23,991)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.54%	0.79%	0.75%	0.55%	0.40%	0.30%	0.35%	0.30%	0.25%	0.25%	0.22%	0.20%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.79%	0.75%	0.55%	0.40%	0.30% #	0.35% #	0.30% #	0.25% #	0.25% #	0.22% #	0.20% #	0.20%	
7. TOTAL (SUM LINES 5 & 6)	1.33%	1.54%	1.30%	0.95%	0.70%	0.65%	0.65%	0.55%	0.50%	0.47%	0.42%	0.40%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.67%	0.77%	0.65%	0.48%	0.35%	0.33%	0.33%	0.28%	0.25%	0.24%	0.21%	0.20%	
9. MONTHLY AVG INTEREST RATE	0.06%	0.06%	0.05%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(18)	(19)	(16)	(12)	(9)	(8)	(8)	(7)	(6)	(5)	(4)	(4)	(112)

Schedule CT-5

Sebring Gas System, Inc.

Reconciliation and Explanation of Differences between Filing and PSC Audit Report for
January 2009 through December 2009.

NO DIFFERENCES AS OF THE DATE OF THIS FILING

Schedule CT-6

Page 1 of 4

Sebring Gas System, Inc. Program Description and Progress

Program Title:

Residential New Construction Program

Program Description:

This program is designed to increase the overall penetration of natural gas in the single family and multi-family residential construction markets of the Company's service territory by expanding consumer energy options in new homes. Incentives are offered to any home builder or developer who installs the below listed energy efficient appliances.

Allowances:

Conservation allowances for 2009 were:

\$350 Gas Storage Tank Water Heating

\$450 Gas Tankless Water Heating

\$350 Gas Heating

\$100 Gas Cooking

\$100 Gas Clothes Drying

Program Projections:

For the twelve-month period January 2009 through December 2009, the Company estimated that 1 home would be connected to the system. During this period, one (1) new home allowance was paid.

Program Fiscal Expenditures:

During 2009, expenditures for this program totaled \$2,503.

Program Progress Summary:

Since the program's inception in July 2007, two (2) new home allowances have been paid. Company representatives continue to work closely with area builders to promote the installation of natural gas appliances in new residences.

Schedule CT-6

Page 2 of 4

Sebring Gas System, Inc. Program Description and Progress

Program Title:

Residential Appliance Replacement Program

Program Description:

This program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. Incentives are offered for the replacement of non-gas water heating, heating, cooking, or clothes drying appliances through the purchase and/or lease of energy efficient natural gas appliances.

Allowances:

Conservation allowances for 2009 were:

\$525 Gas Storage Tank Water Heating

\$525 Gas Tankless Water Heating

\$625 Gas Heating

\$100 Gas Cooking

\$100 Gas Clothes Drying

Program Projections:

For the twelve-month period January 2009 through December 2009, the Company estimated that five (5) residential appliance replacements would qualify for incentives during this period. The Company recorded two (2) actual residential appliance replacement installations with associated allowance payments in 2009.

Program Fiscal Expenditures:

During 2009, expenditures for this program totaled \$2,778.

Program Summary:

Since the program's inception in July 2007, two (2) appliances have been converted through this program.

Schedule CT-6

Page 3 of 4

Sebring Gas System, Inc. Program Description and Progress

Program Title:

Residential Appliance Retention Program

Program Description:

The Company offers this program to existing customers to promote the retention of energy-efficient appliances and encourage the continued use of natural gas in the home. As an incentive to continue to provide substantial benefits to the customer and utilize our resources effectively, this program offers cash allowances to the customer.

Allowances:

Conservation allowances for 2009 were:

- \$350 Gas Storage Tank Water Heating
- \$450 Gas Tankless Water Heating
- \$350 Gas Heating
- \$100 Gas Cooking
- \$100 Gas Clothes Drying

Program Activity and Projections:

For the twelve-month period January 2009 through December 2009, the Company estimated that five (5) natural gas appliance installations would qualify for this program. The Company recorded four (4) actual residential appliance retention installations with associated allowance payments in 2009.

Program Fiscal Expenditures:

During 2009, expenditures for this program totaled \$3,053.

Program Summary:

Since inception in July 2007, six (6) natural gas appliances have been retained through this program. The Company will continue to work closely with homeowners to promote the continued use of energy efficient natural gas.

Schedule CT-6

Page 4 of 4

**Sebring Gas System, Inc.
Program Description and Progress**

Program Title:

Conservation Education Program

Program Description:

The objective of this program is to inform consumers about the Company's energy conservation programs and provide general information on energy efficiency measures that will reduce energy consumption and cost.

Program Activity and Projections:

The Company participates in the Florida gas industry's Get Gas Florida consumer education program (a statewide advertising and web based information service). The Get Gas Florida funding commitment is based on the number of active gas meters served by a given LDC. In 2009, the Company's Get Gas Florida expense totaled \$1,325.52. Additional advertising expenses were incurred for a conservation billboard, truck lettering, participation in a local green building expo and related expenses.

Program Fiscal Expenditures:

Program costs totaled \$3,593 for this twelve-month period.