

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

RE: Purchased Gas Adjustment)
(PGA) True Up)

DOCKET NO: 020003-GU

PREPARED DIRECT TESTIMONY

OF

JERRY H. MELENDY, JR.

ON BEHALF OF

SEBRING GAS SYSTEM, INC.

DOCUMENT NUMBER 020003-GU

10907 OCT-88

FPSC-COMMISSION CLERK

1. Please state your name, business address, by whom you
2. are employed and in what capacity.
3. A. My name is Jerry H, Melendy, Jr. My business
4. address is 3515 U.S. Highway 27, South, Sebring,
5. Florida, 33870-5452. I am employed as the Vice
6. President of Sebring Gas System, Inc.(the Company),
7. a Florida Corporation.
8. Q. What are your responsibilities in that position?
9. A. I am responsible for all areas of finance, rates,
10. accounting and taxes as well as general management
11. responsibilities of the company.
12. Q. Please state your educational background.
13. A. I have an Associates of Arts Degree from Polk
14. Community College. A have a Bachelor of Arts
15. Degree from the University of South Florida.
16. Q. What is the purpose of your testimony?
17. A. The purpose of my testimony is to present the
18. calculation of the Company's levelized purchased gas
19. cost for the upcoming twelve-month period January
20. 2003 through December 2003.
21. Q. Has the Company prepared the Schedules as
22. prescribed by this Commission for this purpose?
23. A. Yes it has. The Schedules prescribed by the

1. Commission are being files at this time. Copies of these
2. schedules are attached to my testimony.
3. Would you please identify the Schedules which you are
4. filing?
5. Yes. The Purchased Gas Adjustment Schedules presently
6. filed are as follows:
7. E-1 – PURCHASED GAS ADJUSTMENT COST
8. RECOVERY CLAUSE CALCULATION, Original Estimate
9. for the Projected Period January 2003 through December
10. 2003.
11. E-1R – PURCHASED GAS ADJUSTMENT COST
12. RECOVERY CLAUSE CALCULATION, Revised Estimate
13. for the Period January 2002 through December 2002.
14. E-2 – CALCULATIONS OF TRUE-UP AMOUNT for the
15. Current Period January 2002 through December 2002.
16. E-3 – TRANSPORTATION PURCAHSES, SYSTEM
17. SUPPLY AND USE for the period January 2003 through
18. December 2003. Because Sebring Gas System does not
19. purchase transportation gas, this schedule, although included
20. is this filing, is not applicable.
21. E-4 – CALCULATING OF TRUE-UP AMOUNT,
22. PROJECTED PERIOD January 2003 through December
23. 2003.

1. E-5 – THERM SALES AND CUSTOMER DATA for the
2. Projected Period January 2003 through December 2003.

3. Q. Were these schedules prepared under your direction and
4. supervision?

5. A. Yes, they were.

6. REVISED ESTIMATES FOR THE PERIOD

7. JANUARY 2002 – DECEMBER 2002

8. Q. What is the revised estimate of total purchased gas cost for
9. the period January 2002 through December 2002?

10. A. The revised estimate of purchased gas cost for the current
11. period January 2002 through December 2002 is \$278,195
12. (Schedule E-2, Line 3).

13. Q. What is the revised estimate of gas revenue to be collected for
14. the current period January 2002 through December 2002?

15. A. The revised estimate of gas revenue to be collected for the
16. current period January 2002 through December 2002 is
17. \$265,765 (Schedule E-2, Line 4).

18. Q. What is the revised true-up amount, including interest,
19. estimated for the current period January 2002 through
20. December 2002?

21. A. The company's revised true-up amount, including interest,
22. estimated for the current period January 2002 through
23. December 2002 is \$10,762 (Schedule E-2, Line 7 + Line 8).

1. PROJECTIIONS FOR THE PERIOD
2. JANUARY 2003 THROUGH DECEMBER 2003
3. Q. How was the projections for the period January 2003
4. through December 2003 determined?
5. A. The estimated gas supply requirements for each month of the
6. twelve-month period were determined initially. These
7. requirement estimates were based upon the estimated sales to
8. ultimate customers for the period.
9. Q. What steps were used to determine the estimated cost of gas
10. for the projected period January 2003 through December
11. 2003?
12. A. As reported in Schedule E-1, Lines 1 through 11, the total
13. cost of gas consists of the commodity cost of gas, baseload
14. services, demand charges and management fees from the
15. Company's gas supplier, Peninsula Energy Services
16. Company (PESCO), and transportation charges as billed by
17. TECO, People's Gas System.
18. The Commodity portion of the Cost of Gas Purchased is
19. shown on Lines 1 and 4 of Schedule E-1. The rate utilized for
20. the projected period January 2003 through December 2003
21. are PESCO rates estimated by myself.
22. The Commodity (Other), Line 4, is based on the estimated
23. therms purchased by the Company, multiplied by the

1. estimated rate per therm, plus a management fee. The rate is
2. based upon the price obtained by our supplier, PESCO, plus a
3. monthly management fee of \$250. The management fee
4. allows the Company to benefit from the research work of the
5. procurement department of PESCO for obtaining the best
6. priced and most reliable gas source. Because of the
7. Company's small size and lack of experience in acquiring
8. gas, the best use of the Company's funds and resources is to
9. contract the procurement of gas supply out to PESCO.
10. Other charges for the Cost of Gas Purchased is represented
11. on Line 6 of Schedule E-1. This figure consists of a charge
12. for the transporting of gas by TECO People's Gas. This
13. charge is for transporting gas through a seven mile pipeline
14. belonging to TECO People's Gas, beginning at FGT's gate
15. station in Avon Park and traveling south to the Company's
16. gate station in Sebring. The charge for this transportation is
17. 35 cents per MCF (1,000 Cubic Foot).

18. Q. How was the projected total firm service determined?
19. A. The Company has only firm sales at this time. Subsequently,
20. the total sales and firm sales are the same. The total sales
21. were determined by using historical averages for both
22. classes, residential and commercial customers, with an
23. estimated growth factor added. The total sales are shown on

1. Line 27 of Schedule E-1. The total estimated sales for the
2. projected period January 2003 through December 2003 is
3. 787,600 therms.
4. Q. What is the Company's estimated average cost per therm for
5. the Projected period January 2003 through December 2003?
6. A. As shown on Line 40 of Schedule E-1, the Company's
7. estimated average cost per therm for the Projected period
8. January 2003 through December 2003 is 52.751 cents.
9. To arrive at the Total PGA Factor, the average cost of gas is
10. adjusted for the estimated total true-up through December
11. 2002, as shown on Schedule E-4, and for revenue-related
12. taxes.
13. Q. What is the Company's projected PGA Factor for the
14. Projected period January 2003 through December 2003?
15. A. The Company's projected PGA factor for the Projected
16. period January 2003 through December 2003 is 52.751
17. cents per therm, as shown on Line 45 of Schedule E-1.
18. Q. The estimated total true-up for the period January 2003
19. through December 2003, as shown on Schedule E-4 is
20. included in the projected PGA Factor for the period January
21. 2003 through December 2003. How was the figure
22. calculated?
23. A. The final true-up amount for the period January 2001 through

1. December 2001 is added to the estimated end of period net
2. true-up for January 2002 through December 2002. The
3. January 2002 through December 2002 estimated true-up is
4. based on eight months' actual plus four months' projected
5. data.

6. Q. What is the impact of the total true-up for the period January
7. 2002 through December 2002 on the projected PGA Factor
8. for the Projected period January 2003 through December
9. 2003?

10. A. The projected true-up for the period ending December 2002
11. is an over collection of \$10,763 which is shown on Line 4,
12. Column 4 of Schedule E-4. This amount, added to the under
13. collection of \$ 25,341 (Line 4, Column 3, E-4) for the prior
14. period, January 2001 through December 2001, creates an
15. projected under recovery of \$14,799 (Line 4, Column 5, E-4)
16. for the Projected period January 2003 through December
17. 2003. Dividing the under collection of \$14,799 by the total
18. estimated therm sales of 787,600 therms for the Projected
19. period January 2003 through December 2003 results in a
20. collection of 1.87906 cents/therm sold to be included in the
21. proposed PGA factor. This amount appears on Line 41 of
22. Schedule E-1 and will appear on Line 41 of Schedule A-1
23. and A-1R for each month of the Projected period January

1. 2003 through December 2003.
2. Q. What is the maximum levelized purchased gas factor (cap)
3. that you are proposing for the projected period January 2003
4. through December 2003?
5. A. The maximum levelized purchased gas factor (cap) that the
6. Company is proposing for the Projected period January 2003
7. through December 2003 is 52.751 cents per therm sold.
8. Q. Does this conclude your testimony?
9. A. Yes, it does.
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