

SEBRING GAS SYSTEM, INC.

3515 U.S. Hwy. 27, South
Sebring, FL 33870-5452
(863) 385-0194

October 2, 2003

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
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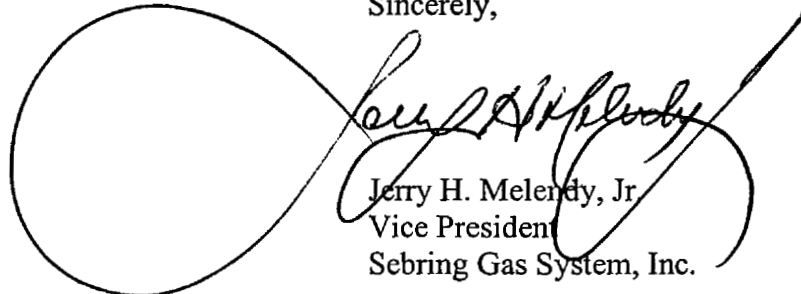
RE: Docket No. 030003-GU
Revised Testimony and True-Up Projections for January 2004 through
December 2004.

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Sebring Gas System, Inc.,
please find an original and fifteen of the Revised Direct Testimony of Jerry H. Melendy,
Jr.

The revision is necessary to correct the underrecovery figure reported on Line 23
of Page 4.

Sincerely,



Jerry H. Melendy, Jr.
Vice President
Sebring Gas System, Inc.

Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO: 030003-GU

REVISED

PREPARED DIRECT TESTIMONY

OF

JERRY H. MELENDY, JR.

ON BEHALF OF

SEBRING GAS SYSTEM, INC.

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. 2004 through December 2004.
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 filed 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 2004 through December
10. 2004.
11. E-1R – PURCHASED GAS ADJUSTMENT COST
12. RECOVERY CLAUSE CALCULATION, Revised Estimate
13. for the Period January 2003 through December 2003.
14. E-2 – CALCULATIONS OF TRUE-UP AMOUNT for the
15. Current Period January 2003 through December 2003.
16. E-3 – TRANSPORTATION PURCHASES, SYSTEM
17. SUPPLY AND USE for the period January 2004 through
18. December 2004. Because Sebring Gas System does not
19. purchase transportation gas, this schedule, although included
20. in this filing, is not applicable.
21. E-4 – CALCULATING OF TRUE-UP AMOUNT,
22. PROJECTED PERIOD January 2004 through December
23. 2004.

1. E-5 – THERM SALES AND CUSTOMER DATA for the
2. Projected Period January 2004 through December 2004.

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 2003 – DECEMBER 2003

8. Q. What is the revised estimate of total purchased gas cost for
9. the period January 2003 through December 2003?

10. A. The revised estimate of purchased gas cost for the current
11. period January 2003 through December 2003 is \$517,901
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 2003 through December 2003?

15. A. The revised estimate of gas revenue to be collected for the
16. current period January 2003 through December 2003 is
17. \$459,342 (Schedule E-2, Line 4).

18. Q. What is the revised true-up amount, including interest,
19. estimated for the current period January 2003 through
20. December 2003?

21. A. The company's revised true-up amount, including interest,
22. estimated for the current period January 2003 through
23. December 2003 is an underrecovery of \$71,509 (Schedule E-

1. 2, Line7 + Line 8, plus Schedule E-4, Line 3a, Column 4).

2. PROJECTIONS FOR THE PERIOD

3. JANUARY 2004 THROUGH DECEMBER 2004

4. Q. How was the projections for the period January 2004
5. through December 2004 determined?

6. A. The estimated gas supply requirements for each month of the
7. twelve-month period were determined initially. These
8. requirement estimates were based upon the estimated sales to
9. ultimate customers for the period.

10. Q. What steps were used to determine the estimated cost of gas
11. for the projected period January 2004 through December
12. 2004?

13. A. As reported in Schedule E-1, Lines 1 through 11, the total
14. cost of gas consists of the commodity cost of gas, baseload
15. services, demand charges and management fees from the
16. Company's gas supplier, Peninsula Energy Services
17. Company (PESCO), and transportation charges as billed by
18. Tampa Electric Company (TECO).

19. The Commodity portion of the Cost of Gas Purchased is
20. shown on Lines 1 and 4 of Schedule E-1. The rate utilized for
21. the projected period January 2004 through December 2004
22. are PESCO rates estimated by myself.

23. The Commodity (Other), Line 4, is based on the estimated

1. therms purchased by the Company, multiplied by the
2. estimated rate per therm, plus a management fee. The rate is
3. based upon the price obtained by our supplier, PESCO, plus a
4. monthly management fee of \$250. The management fee
5. allows the Company to benefit from the research work of the
6. procurement department of PESCO for obtaining the best
7. priced and most reliable gas source. Because of the
8. Company's small size and lack of experience in acquiring
9. gas, the best use of the Company's funds and resources is to
10. contract the procurement of gas supply out to PESCO.
11. Other charges for the Cost of Gas Purchased is represented
12. on Line 6 of Schedule E-1. This figure consists of a charge
13. for the transporting of gas by TECO People's Gas. This
14. charge is for transporting gas through a seven mile pipeline
15. belonging to TECO People's Gas, beginning at FGT's gate
16. station in Avon Park and traveling south to the Company's
17. gate station in Sebring. The charge for this transportation is
18. 35 cents per MCF (1,000 Cubic Foot).

19. Q. How was the projected total firm service determined?

20. A. The Company has only firm sales at this time. Subsequently,
21. the total sales and firm sales are the same. The total sales
22. were determined by using historical averages for both
23. classes, residential and commercial customers, with an

1. estimated growth factor added. The total sales are shown on
2. Line 27 of Schedule E-1. The total estimated sales for the
3. projected period January 2004 through December 2004 is
4. 786,200 therms.
5. Q. What is the Company's estimated average cost per therm for
6. the Projected period January 2004 through December 2004?
7. A. As shown on Line 45 of Schedule E-1, the Company's
8. estimated average cost per therm for the Projected period
9. January 2004 through December 2004 is 88.326 cents.
10. To arrive at the Total PGA Factor, the average cost of gas is
11. adjusted for the estimated total true-up through December
12. 2003, as shown on Schedule E-4, and for revenue-related
13. taxes.
14. Q. What is the Company's projected PGA Factor for the
15. Projected period January 2004 through December 2004?
16. A. The Company's projected PGA factor for the Projected
17. period January 2004 through December 2004 is 88.326
18. cents per therm, as shown on Line 45 of Schedule E-1.
19. Q. The estimated total true-up for the period January 2004
20. through December 2004, as shown on Schedule E-4 is
21. included in the projected PGA Factor for the period January
22. 2004 through December 2004. How was the figure
23. calculated?

1. A. The final true-up amount for the period January 2002 through
2. December 2002 is added to the estimated end of period net
3. true-up for January 2003 through December 2003. The
4. January 2003 through December 2003 estimated true-up is
5. based on eight months' actual plus four months' projected
6. data.

7. Q. What is the impact of the total true-up for the period January
8. 2003 through December 2003 on the projected PGA Factor
9. for the Projected period January 2004 through December
10. 2004?

11. A. The projected true-up for the period ending December 2003
12. is an under collection of \$71,509 which is shown on Line 4,
13. Column 4 of Schedule E-4. This amount, added to the over
14. collection of \$ 30,408 (Line 4, Column 3, E-4) for the prior
15. period, January 2002 through December 2002, creates an
16. projected under recovery of \$41,101 (Line 4, Column 5, E-4)
17. for the Projected period January 2004 through December
18. 2004. Dividing the under collection of \$41,101 by the total
19. estimated therm sales of 786,200 therms for the Projected
20. period January 2004 through December 2004 results in a
21. collection of 5.2278 cents/therm sold to be included in the
22. proposed PGA factor. This amount appears on Line 41 of
23. Schedule E-1 and will appear on Line 41 of Schedule A-1

1. and A-1R for each month of the Projected period January
2. 2004 through December 2004.
3. Q. On Line 3a, Column 4 of Schedule E-4, there is an amount
4. of \$2,185. What does this figure represent?
5. A. The amount of \$2,185 represents an error that occurred
6. several years in the past and has been carried forward with
7. each projection filing, It was determined to address this error
8. at this time and make the adjustment to the present
9. adjustments.
10. Q. What is the maximum levelized purchased gas factor (cap)
11. that you are proposing for the projected period January 2004
12. through December 2004?
13. A. The maximum levelized purchased gas factor (cap) that the
14. Company is proposing for the Projected period January 2004
15. through December 2004 is 88.326 cents per therm sold.
16. Q. Does this conclude your testimony?
17. A. Yes, it does.
- 18.
- 19.
- 20.
- 21.
- 22.
- 23.