

Writer's E-Mail Address: bkeating@gunster.com

August 13, 2019

VIA E-PORTAL

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

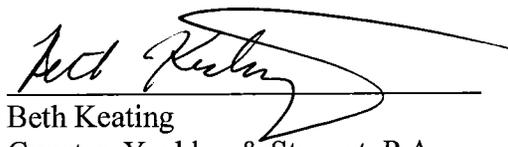
Re: Docket No. 20190083-GU: Petition for Rate Increase by Sebring Gas System, Inc.

Dear Mr. Teitzman:

Attached, for electronic filing in the above referenced matter, please find Sebring Gas System's Responses to Staff's Fourth Data Requests.

Thank you for your assistance with this filing. As always, please do not hesitate to contact me 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

ATTACHMENTS

cc:// Office of Public Counsel (Kelly/Fall-Fry)



**Sebring Gas System, Inc.
Docket No. 20190083-GU
Responses to Staff's
Fourth Set of Data Requests**

Please refer to witness Russell Melendy's Direct Testimony, pages 2 – 9 and MFR Schedule G-2, pages 6 and 8, for the following questions.

1. Has the witness Russell Melendy reviewed the methodologies for developing the forecasts of the number of customers billed that are used by other gas utilities?

Response: No.

- a. If the response to the above question is affirmative, please summarize the similarity and difference between the methodologies used by Sebring and the methodologies used by the other utilities. Please also comment on the advantages of Sebring's method.
- b. If the response to the above question is negative, please explain why not.

Response: The Company was unaware that other gas utilities have developed forecast models for the number of customers billed. The Company is very small and does not have the resources to perform such reviews.

2. Has the witness Russell Melendy reviewed the methodologies for developing the forecasts of the therm usage that are used by other gas utilities?

Response: No.

- a. If the response to the above question is affirmative, please summarize the similarity and difference between the methodologies used by Sebring and the methodologies used by the other utilities. Please also comment on the advantages of Sebring's method.
- b. If the response to the above question is negative, please explain why not.

Response: The Company was unaware that other gas utilities have developed forecast models for therm usage. The Company is very small and does not have the resources to perform such reviews.



3. Please elaborate on the appropriateness of Sebring's forecasts of the number of customers billed for utilization in the instant rate case.

Response: The Company believes that, due to the small size of its Customer Base, its methodology to forecast the number of customers billed, as described in the Direct Testimony of Mr. Russell Melendy is the most accurate method. The Company looked at each rate classification, the historic data, the monthly variances and other factors (weather, or lack thereof) to forecast the number of customers billed in the instant rate case.

4. Please elaborate on the appropriateness of Sebring's forecasts of the therm usage for utilization in the instant rate case.

Response: The Company believes that, due to the small size of its Customer Base, its methodology to forecast therm usage, as described in the Direct Testimony of Mr. Russell Melendy is the most accurate method. The Company looked at each rate classification, the historic data, the monthly variances and other factors (weather, or lack thereof) to forecast therm usage, by rate classification, in the instant rate case.

5. Does Sebring perform annual forecasting of the number of customers billed? If your response is affirmative, please provide responses to the following:

Response: No.

- a. Please identify the year(s) in which the forecasting was performed.
 - b. Please specify the forecasting method(s) used in prior years if the method is different from the one used in the instant rate case.
 - c. Please discuss the accuracy of the forecasts produced in prior years.
6. Please refer to witness Russell Melendy's Direct Testimony, page 6, lines 4 – 9, and page 8, line 20, through page 9, line 10, for the questions below.
- a. What are the drivers of the therm usages for Sebring's customers?

Response: As described in the Direct Testimony of Mr. Russell Melendy, a typical driver of therm usage for residential customers is cold weather. However, this is not much of a driver for the Company, due to the geographic location of the Company's service territories and the competitiveness of the electric heat pump. The Company has very few residential customers with furnaces. Commercial usage is usually more stable than residential usage, as it is rare for commercial accounts to utilize natural gas for traditional heating purposes. Thus, the drivers of the therm usage, by rate classification, is simply the historic average use per customer, by month.



- b. Is it correct that in its process of determining the therm usage in HB Y+1 and the PTY, the Company assumed the average usage per customer, by month, for each rate class, is the same in HB Y, HB Y+1 and PTY for the corresponding month and rate class?

Response: Yes.

- c. If your response to Question 6.b. is affirmative, please explain in detail why such assumption is appropriate.

Response: The Company believes that this assumption is appropriate, as further described in the above answers. The Company is unaware of any alternate methodology that would result in a more accurate projection of therm usage that the method employed by the Company in the instant rate case.

- d. If your response to Question 6.b. is negative, please explain how the "average usage per customer" in the HB Y+1, and PTY was computed, respectively, based on the usage data of the HB Y; and please provide a worksheet, in Microsoft Excel format (electronically) with formulas intact, to support your response.
7. Please provide the number of customers billed, each month by Rate Classification, for HB Y, HB Y+1, and PTY, in Microsoft Excel format (electronically) with formulas intact.

Response: The Company previously provided the MFR's to Staff in excel format, with all formulas and links intact. Please see MFR Schedules G-2, Pages 6 and 6.5 of 31, Rows 106 through 159 (HB Y+1) and G-2, Pages 8 and 8.5 of 31, Rows 106 through 159 (PTY) for the detail formulas used to project the number of customers billed by rate classification, by month.

8. Please provide the therm usage, each month by Rate Classification, for HB Y, HB Y+1, and PTY, in Microsoft Excel format (electronically) with formulas intact.

Response: The Company previously provided the MFR's to Staff in excel format, with all formulas and links intact. Please see MFR Schedules G-2, Pages 6 and 6.5 of 31, Rows 106 through 159 (HB Y+1) and G-2, Pages 8 and 8.5 of 31, Rows 106 through 159 (PTY) for the detail formulas used to project therm usage by rate classification, by month.

9. Please refer to Minimum Filing Requirements (MFR) Schedule C-17, Page 1 of 1, (*Monthly Depreciation Expense For The Historic Base Year – 12 Months*) and Sebring's 2018 Annual Depreciation Status Report. Please explain why the annual depreciation accruals shown on both documents are not equal for accounts 376.1 (Mains – Plastic), 379, 380.0 (Services – Steel), 392 (Transportation Equip – Light Trucks), and 397.



Response: The Company is not certain as to why these discrepancies exist at the individual account level, but in total, the depreciation expense shown on MFR Schedule C-17 is equal to the Monthly Depreciation Expense in the Annual Report (except for \$4 rounding).

10. Please refer to MFR Schedule G-1, Page 24 of 28 (*Monthly Plant Additions*) for the following questions.

a. Has Sebring booked any actual plant additions from January 2019 to date?

Response: No, the Company has not completed any projects year-to-date in 2019. The Company continues to actively construct both the Wauchula and Arcadia distribution systems, which will result in the addition of customers in these new service areas.

b. If the response to (a.) is affirmative, please provide the plant addition amounts by account.

11. Please refer to MFR Schedule G-1, Page 25 of 28 (*Monthly Plant Retirements*) for the following questions.

a. Has Sebring booked any actual plant retirements from January 2019 to date?

Response: No.

b. If the response to (a.) is affirmative, please provide the retirement amounts and associated account.

12. Please refer to MFR Schedule G-1, Page 28 of 28 (*Monthly Plant Retirements*). Please discuss why the Company anticipates zero retirements during the projected test year of 2020, and how it formulated its forecast of zero retirements.

Response: The Company has no plans to retire any plant in either the HBV+1 or PTY. As detailed in the Direct Testimony of Mr. Bruce Christmas, Pages 7 and 10, due to the aggressive growth plans of the Company, it does not project any retirements. The Company plans on being able to re-activate any customer whose service line has been inactive and is approaching the time limits for retirement.



SEBRING GAS SYSTEM, INC.

13. Please refer to MFR Schedule G-2, page 23 of 31 (*Calculation of the Projected Test Year – Depreciation & Amortization Expense*). Please confirm that the \$4,800 total annual amortization expense shown on line 21 is associated with Account 301 – Organizational Costs.

Response: Yes.

Response Provided By:

Russell A. Melendy
Russell Melendy
Project Manager

8/12/19
Date