

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET 20210004-GU

DIRECT TESTIMONY OF

JERRY H. MELENDY

ON BEHALF OF SEBRING GAS SYSTEM, INC.

May 3, 2021

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

2 **A.** My name is Jerry H. Melendy. My business address is Sebring Gas System, Inc., 3515
3 U.S. Highway 27 South, Sebring FL 33870

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

5 **A.** I am President of Sebring Gas System, Inc. (the “Company”).

6 **Q. ARE YOU FAMILIAR WITH THE COMPANY’S CURRENT ENERGY**
7 **CONSERVATION PROGRAMS?**

8 **A.** Yes.

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

10 **A.** My testimony presents data and summaries that describe the planned and actual
11 activities and expenses for the Company’s energy conservation programs incurred
12 during the period January 2020 through December 2020. I will also identify the final
13 conservation true-up amount for the above referenced period.

14 **Q. HAVE YOU PREPARED A SUMMARY OF THE COMPANY’S**
15 **CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED WITH**
16 **THESE PROGRAMS?**

1 **A.** Yes. Summaries of the Company's six approved programs for which costs were
2 incurred during the period January 2020 through December 2020 are included in
3 Schedule CT-6 of Exhibit JHM-1. Included are the Residential New Construction
4 Program, the Residential Appliance Replacement Program, the Residential Appliance
5 Retention Program, Commercial New Construction, Commercial Replacement, and
6 Commercial Retention.

7 **Q. HAVE YOU PREPARED SCHEDULES WHICH SHOW THE**
8 **EXPENDITURES ASSOCIATED WITH THE COMPANY'S ENERGY**
9 **CONSERVATION PROGRAMS FOR THE APPLICABLE PERIOD?**

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

13 **Q. WHAT WAS THE TOTAL COST INCURRED BY THE COMPANY TO**
14 **ADMINISTER ITS SIX CONSERVATION PROGRAMS FOR THE**
15 **TWELVEMONTH PERIOD ENDING DECEMBER 2020?**

16 **A.** As indicated on Schedule CT-2, page 2, of Exhibit JHM-1, the Company's total 2020
17 programs costs were \$52,162.

18 **Q. HAVE YOU PREPARED A SCHEDULE WHICH SHOWS THE VARIANCE**
19 **OF ACTUAL FROM PROJECTED COSTS BY CATEGORIES OF**
20 **EXPENSES?**

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

22 **Q. WHAT IS THE COMPANY'S FINAL TRUE-UP FOR THE TWELVE**
23 **MONTHS ENDING DECEMBER 2020?**

1 **A.** The final true-up amount as shown on Schedule CT-1, of Exhibit JHM-1 is an under
2 recovery of \$12,927.

3 **Q.** **DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A.** Yes.

ADJUSTED NET TRUE-UP
FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

END OF PERIOD TRUE-UP

PRINCIPLE	\$11,051	
INTEREST	<u>(\$8)</u>	\$11,043

LESS PROJECTED TRUE-UP

PRINCIPLE	(\$1,872)	
INTEREST	<u>(\$12)</u>	<u>(\$1,884)</u>

ADJUSTED NET TRUE-UP		\$12,927
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ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS

ACTUAL VERSUS ESTIMATED

FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

	<u>ACTUAL</u>	<u>PROJECTED</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	\$0	\$0	\$0
PAYROLL & BENEFITS	\$12,676	\$12,690	(\$14)
MATERIALS & SUPPLIES	\$0	\$0	\$0
ADVERTISING	\$0	\$0	\$0
INCENTIVES	\$36,970	\$24,396	\$12,574
OUTSIDE SERVICES	\$2,517	\$1,500	\$1,017
VEHICLES	\$0	\$0	\$0
OTHER	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
SUB TOTAL	\$52,162	\$38,586	\$13,576
PROGRAM REVENUES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL PROGRAM COSTS	\$52,162	\$38,586 C-3, PAGE 2	\$13,576
LESS: PRIOR PERIOD TRUE-UP	(\$1,884)	(\$1,884) C-3, PAGE 4	\$0
CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(\$41,111)	(\$40,458) C-3, p.4 line 5	(\$653)
ROUNDING ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	\$0
TRUE-UP BEFORE INTEREST	\$11,051	(\$1,872)	\$12,923
INTEREST PROVISION	(\$8)	(\$12) C-3 p 4 line 8	\$4
END OF PERIOD TRUE-UP	<u>\$11,043</u>	<u>(\$1,884)</u>	<u>\$12,927</u>
() REFLECTS OVER-RECOVERY			

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Conservation Costs per Program - Variance Actual Versus Projected
FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

[illegible]

Energy conservation Adjustment Calculation of True-Up and Interest Provision

Summary of Expenses By program By Month

FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

Program Name	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Program 1: Res. New Home Const.	\$173	\$174	\$174	\$174	\$232	\$175	\$1,272	\$526	\$169	\$4,569	\$331	\$2,012	\$9,982
Program 2: Res. Appliance Replace	\$173	\$174	\$174	\$174	\$3,682	\$175	\$997	\$526	\$1,194	\$844	\$331	\$3,336	\$11,782
Program 3: Customer Retention	\$173	\$174	\$174	\$174	\$332	\$675	\$172	\$976	\$1,269	\$819	\$331	\$212	\$5,482
Program 4 Comm. New Const.	\$173	\$174	\$174	\$174	\$232	\$10,175	\$172	\$376	\$169	\$169	\$331	\$212	\$12,532
Program 5 Comm. Appli. Replace	\$173	\$174	\$174	\$174	\$232	\$175	\$172	\$376	\$2,669	\$169	\$331	\$2,711	\$7,531
Program 6 Comm.Cust. Retention	\$173	\$174	\$174	\$174	\$1,053	\$175	\$172	\$1,876	\$169	\$169	\$331	\$212	\$4,853
TOTAL	\$1,036	\$1,046	\$1,045	\$1,045	\$5,764	\$11,551	\$2,957	\$4,657	\$5,640	\$6,740	\$1,985	\$8,695	\$52,162

Energy conservation Adjustment Calculation of True-Up and Interest Provision

FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

Conservation

Revenues	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
1 RCS AUDIT FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 PSC REG ASSESS FEE	\$26	\$21	\$21	\$15	\$16	\$17	\$16	\$17	\$17	\$18	\$22	\$23	\$229
3 CONSERV. ADJ. REVS	(\$5,159)	(\$4,200)	(\$4,282)	(\$3,095)	(\$3,179)	(\$3,488)	(\$3,248)	(\$3,313)	(\$3,431)	(\$3,654)	(\$4,382)	(\$4,532)	(\$45,963)
4 TOTAL REVENUES	(\$5,133)	(\$4,179)	(\$4,261)	(\$3,080)	(\$3,163)	(\$3,471)	(\$3,232)	(\$3,296)	(\$3,414)	(\$3,636)	(\$4,360)	(\$4,509)	(\$45,734)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$385	\$4,623
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	(\$4,748)	(\$3,794)	(\$3,876)	(\$2,695)	(\$2,778)	(\$3,086)	(\$2,847)	(\$2,911)	(\$3,029)	(\$3,251)	(\$3,975)	(\$4,124)	(\$41,111)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$1,036	\$1,046	\$1,045	\$1,045	\$5,764	\$11,551	\$2,957	\$4,657	\$5,640	\$6,740	\$1,985	\$8,695	\$52,162
8 TRUE-UP THIS PERIOD	(\$3,712)	(\$2,748)	(\$2,831)	(\$1,650)	\$2,986	\$8,465	\$110	\$1,746	\$2,611	\$3,489	(\$1,990)	\$4,571	\$11,048
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	\$3	(\$1)	(\$7)	(\$6)	(\$1)	(\$0)	\$0	\$0	\$1	\$1	\$1	\$1	(\$8)
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	\$4,623	\$529	(\$2,604)	(\$5,827)	(\$7,868)	(\$5,268)	\$2,812	\$2,537	\$3,899	\$6,126	\$9,231	\$6,856	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	(\$385)	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	\$529	(\$2,604)	(\$5,827)	(\$7,868)	(\$5,268)	\$2,812	\$2,537	\$3,899	\$6,126	\$9,231	\$6,856	\$11,043	\$11,043

Calculation of True-Up and Interest Provision
FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

Interest Provision	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	<u>TOTAL</u>
1 BEGINNING TRUE-UP	\$4,623	\$529	(\$2,604)	(\$5,827)	(\$7,868)	(\$5,268)	\$2,812	\$2,537	\$3,899	\$6,126	\$9,231	\$6,856	
ENDING TRUE-UP BEFORE													
2 INTEREST	\$526	(\$2,603)	(\$5,820)	(\$7,862)	(\$5,268)	\$2,812	\$2,537	\$3,898	\$6,125	\$9,230	\$6,856	\$11,042	
TOTAL BEGINNING &													
3 ENDING TRUE-UP	\$5,149	(\$2,074)	(\$8,425)	(\$13,689)	(\$13,136)	(\$2,456)	\$5,349	\$6,436	\$10,024	\$15,356	\$16,086	\$17,899	
AVERAGE TRUE-UP													
4 (LINE 3 x 50%)	\$2,575	(\$1,037)	(\$4,212)	(\$6,844)	(\$6,568)	(\$1,228)	\$2,675	\$3,218	\$5,012	\$7,678	\$8,043	\$8,949	
INT. RATE - 1ST DAY													
5 OF REPORTING MONTH	1.59%	1.64%	1.56%	2.21%	0.06%	0.08%	0.13%	0.11%	0.13%	0.11%	0.10%	0.15%	
INT. RATE - 1ST DAY													
6 OF SUBSEQUENT MONTH	1.64%	1.56%	2.21%	0.06%	0.08%	0.13%	0.11%	0.13%	0.11%	0.10%	0.15%	0.09%	
7 TOTAL (LINES 5 + 6)	3.23%	3.20%	3.77%	2.27%	0.14%	0.21%	0.24%	0.24%	0.24%	0.21%	0.25%	0.24%	
AVG. INT. RATE													
8 (LINE 7 x 50%)	1.62%	1.60%	1.89%	1.14%	0.07%	0.11%	0.12%	0.12%	0.12%	0.11%	0.13%	0.12%	
MONTHLY AVG.													
9 INT. RATE	0.13%	0.13%	0.16%	0.09%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	
10 INTEREST PROVISION													
(LINE 4 x LINE 9)	\$3	(\$1)	(\$7)	(\$6)	(\$1)	(\$0)	\$0	\$0	\$1	\$1	\$1	\$1	(\$8)

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SCHEDULE OF CAPITAL INVESTMENT AND RETURN
FOR MONTHS: JANUARY 2020 THROUGH DECEMBER 2020

[illegible]

SEBRING GAS SYSTEM, INC.

Reconciliation and Explanation of differences between Filing and
PSC Audit Report for January 2020 through December 2020.

NO DIFFERENCES ARE KNOWN AS OF THE DATE OF THIS FILING

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:

Residential New Construction

Program Description:

The Residential New Construction Program is designed to increase the overall penetration of natural gas in the single family and multi-family construction residential markets of the Company's service territory by expanding consumer energy options in new homes.

For the period January 1, 2020 through December 31, 2020, the Company operated under the terms of Order No. PSC-10-0551-PAA-EG, issued on September 7, 2010.

Order No. PSC-10-0551-PAA-EG prescribed the following Residential New Construction Cash Allowances:

Gas Storage Tank Water Heater	\$350
Gas High Efficiency Storage Tanks Water Heater	\$400
Gas Tankless Water Heater	\$550
Gas Heating	\$500
Gas Cooking	\$150
Gas Clothes Drying	\$100

Program Accomplishments:

For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company was:

\$7,450

Program Fiscal Expenditures:

During 2020 expenditures for the Residential New Construction Program totaled
\$9,982

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:

Residential Appliance Replacement Program

Program Description:

The Residential Appliance Replacement 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-natural gas water heating, heating, cooking or clothes drying appliances through the purchase and/or lease of energy efficient natural gas appliances.

For the period January 1, 2020 through December 31, 2020, the Company operated under the terms of Order No. PSC-10-0551-PAA-EG, issued on September 7, 2010.

Order No. PSC-10-0551-PAA-EG prescribed the following Residential Appliance Replacement Cash Allowances:

	\$500
Gas Storage Tank Water Heater	\$550
Gas High Efficiency Storage Tanks Water Heater	\$675
Gas Tankless Water Heater	\$725
Gas Heating	\$200
Gas Cooking	\$150
Gas Clothes Drying	

Program Accomplishments:

For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company under the Residential Appliance Replacement Program was:

\$9,250

Program Fiscal Expenditures:

During 2019 expenditures for the Resident Appliance Replacement Program totaled
\$11,782

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:

Residential Customer Retention Program

Program Description:

The Company offers the Residential Appliance Retention 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.

For the period January 1, 2020 through December 31, 2020, the Company operated under the terms of Order No. PSC-10-0551-PAA-EG, issued on September 7, 2010.

Order No. PSC-10-0551-PAA-EG prescribed the following Residential Appliance Replacement Cash Allowances:

Gas Storage Tank Water Heater	\$350
Gas High Efficiency Storage Tanks Water Heater	\$400
Gas Tankless Water Heater	\$550
Gas Heating	\$500
Gas Cooking	\$100
Gas Clothes Drying	\$100

Program Accomplishments:

For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company under the Residential Appliance Retention Program was:

\$2,950

Program Fiscal Expenditures:

During 2019 expenditures for the Resident Appliance Retention Program totaled
\$5,482

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:

Commercial New Construction

Program Description:

The Commercial New Construction Conservation Program's purpose is to educate, inform and encourage its commercial customers to build with natural gas. The program is designed to allow Sebring Gas System to provide incentives to new construction to be used toward the purchase and installation of natural gas appliances for their commercial business.

The Natural Gas Energy Conservation Program was approved by the Florida Public Services Commission in Docket No. 130167-EG on January 14, 2014.

Program Accomplishments:

For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company under the Commercial New Construction Program was:

\$10,000

Program Fiscal Expenditures:

During 2020 expenditures for the Commercial New Construction Program totaled
\$12,532

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:

Commercial Retrofit

Program Description:

The Commercial Retrofit Conservation Program's purpose is to educate, inform and encourage its commercial customers to use natural gas. The program is designed to allow Sebring Gas System to provide incentives to commercial customers to be used toward the purchase and installation of natural gas appliances for their commercial business.

The Natural Gas Energy Conservation Program was approved by the Florida Public Services Commission in Docket No. 130167-EG on January 14, 2014.

Program Accomplishments:

For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company under the Commercial Retrofit Program was:

\$4,999

Program Fiscal Expenditures:

During 2020 expenditures for the Commercial Retrofit Program totaled
\$7,531

SEBRING GAS SYSTEM, INC.
Program Description and Progress

Program Title:
Commercial Retention

Program Description:
The Commercial Retention Conservation Program's purpose is to educate, inform and encourage its commercial customers to build with natural gas. The program is designed to allow Sebring Gas System to provide incentives to commercial customers to be used toward the and installation of natural gas appliances for their commercial business.

The Natura Gas Energy Conservation Program was approved by the Florida Public Services Commission in Docket No. 130167-EG on January 14, 2014.

Program Accomplishments:
For the twelve month period January 2020 through December 2020, the amount of incentives paid by the Company under the Commercial Retention Program was:
\$2,321

Program Fiscal Expenditures:
During 2019 expenditures for the Commercial Retention Program totaled
\$4,852