

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

October 17, 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 Tenth Set of Data Requests. Certain referenced document attachments are provided under separate cover under a request for confidential classification.

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

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**ATTACHMENTS**

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



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

1. Please provide the starting point and ending point of each of Sebring's **existing** gas mains by address. Specifically, provide the address of the starting and ending points for each existing gas main, including a detailed description of the route to the address of the endpoint.

**Response: Please see attached maps (previously provided) updated with addresses affixed for existing gas mains in Wauchula and Arcadia. The Company does not have this information for its native Sebring service territory.**

2. Please provide the starting point and ending point of each of Sebring's **proposed** gas mains by address. Specifically, provide the address of the starting and ending points for each proposed gas main, including a detailed description of the route to the address of the endpoint.

**Response: Please see attached maps (previously provided) updated with addresses affixed for proposed gas mains in Sebring, Wauchula and Arcadia.**

3. In response to question Nos. 4(d) and 4(h) of staff's seventh set of data requests, Sebring states that the size and materials used to construct the distribution system included in this case are sized to provide service to many other customers that the Company expects to add over the next decade or more as the community grows.

- a. Please complete the table below for Sebring's estimated customer growth, customer consumption, and revenues. Please provide this information for each plant addition (Arcadia, Wauchula, and Sebring).

	Total Customers	Total Consumption (Therms)	Total Revenues Assuming Current Rates (\$)



**SEBRING GAS SYSTEM, INC.**

2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			

**Response:** Please see attached excel spreadsheet for 2019 and 2020 information. The Company, being a very small utility with limited resources, has not performed a detailed marketing analysis that would yield the information requested beyond the end of the Projected Test Year (12/31/2020).

- b. Please provide the basis for assumptions in customer growth and consumption relied on in part a of this question.

**Response:** The Company, being a very small utility with limited resources, has not performed a detailed marketing analysis that would yield the information requested beyond the end of the Projected Test Year (12/31/2020).

- 4. Please provide supporting documentation for the actual and estimated cost to complete as of August 31, 2019, for the Outside Consultants: Cost of Service fees shown on MFR Schedule C-13.

**Response:** Please see attached documentation for Questions 4, 5 and 6.



**SEBRING GAS SYSTEM, INC.**

5. Please provide supporting documentation for the actual and estimated cost to complete as of August 31, 2019, for the Legal services fees shown on MFR Schedule C-13.

**Response: Please see attached documentation for Questions 4, 5 and 6.**

6. Please provide supporting documentation for the actual and estimated cost to complete as of August 31, 2019, for the Miscellaneous Expenses shown on MFR Schedule C-13.

**Response: Please see attached documentation for Questions 4, 5 and 6.**

7. In regard to Sebring's response to staff's ninth data request, there are customers in the TS-3 and TS-4 rate classes whose annual consumption measured outside the classes' therms per year parameters as stated in the tariff. For example, even when considering monthly outliers, TS-3 customers 5, 10, 14, 27, 31, 32, 48, and 78 fall at least 15 percent above or below the annual therm usage required for the TS-3 class (see applicability of usage greater than 1,000 therms per year up to 10,000 therms per year). Sebring's current tariffs require an annual volume review for reclassification.

- a. Please provide Sebring's process for evaluating and transitioning customers who meet the reclassification parameters.

**Response: To be provided.**

- b. Of the customers provided in staff's ninth data request response, please provide a list of the customers transitioned to another rate class and the date of the transition.

**Response: To be provided.**

8. Please provide the Company's methodology and rationale for its increase in each rate classes' customer charge and reduction in therm transportation charge.

**Response: The Company has several reasons for its proposed rates for each classification:**



**SEBRING GAS SYSTEM, INC.**

- 1) **Efficiency of Rate Design – The Company believes that the efficiency of the rate design is defined as the probability that the projected revenues generated from the fixed charge and the variable charge can actually be achieved. The higher the probability, the more efficient the rate design. The Straight-Fixed-Variable (SFV) employed for many years by the interstate pipelines, where well over 90% of revenues are generated from fixed charges, are very efficient rates. The interstate pipelines are highly certain of the revenue stream each year. Low variable charges reduce the historic uncertainty inherent in the natural gas business, including abnormal (colder or warmer) winter weather, increasing appliance efficiency (lower consumption), better home construction and other factors.**
  - 2) **Virtually all Operating & Maintenance (O&M) Expenses are fixed, rather than variable. Almost all tasks are performed to comply with applicable federal, state and local regulations or to provide service to customers (turn-on's, etc). These tasks are performed each year, regardless of the quantity of natural gas that is delivered to customers. Whether one therm or a million therms are delivered, the O&M Expenses incurred are virtually the same. Rate-making theory supports fixed costs being recovered by fixed charges and variable costs being recovered by variable charges. This supports the SFV rate design discussed above.**
  - 3) **Customer Bill Certainty – this is perhaps the most important reason for having a rate design with higher fixed charges; they allow Customers to better predict their monthly bills and simulates a “budget billing” program where monthly bills are generally flat every month, without any “true-up” at the end of the year. A tangent benefit is more consistent cash flow, month-to-month, for the Company.**
  - 4) **This rate design better promotes the Energy Conservation Cost Recovery (ECCR) programs of the Company. With low variable charges, the impact to a Customer's bill is minimal when they install additional burner tips within the structure through the ECCR programs of the Company.**
9. MFR Schedule H-3, page 1 of 5, calculates customer related unit costs on line 10. Please discuss the relation, if any, of the calculated unit costs and the proposed customer charges.

**Response: There is no relationship between the calculated unit costs shown on MFR Schedule H-3, page 1 of 5 and the proposed customer charges.**



SEBRING GAS SYSTEM, INC.

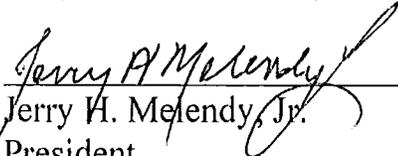
10. Witness Christmas on page 18, line 13, uses the term marketable. Please provide a discussion as to how you determine whether a rate is marketable and discuss what other fuel options customers may have.

**Response:** The term “marketable” means that the applicable natural gas rate can attract and retain customers that qualify for such rate, when that rate is compared to competing fuel prices. Residential customers have electric, solar and propane as fuel options to natural gas. Commercial customers also have electric, solar and propane as fuel options. Industrial customers typically have fuel oil, propane or coal as fuel options.

11. Referring to MFR Schedule H-2, page 1 of 4, Line 2, please explain and show the weighting of the customer costs for rate classes TS-2 through TS-5.

**Response:** Please see MFR Schedule E-7 for the explanation of the weighting of the customer costs for rate classes TS-2 through TS-5.

Response Provided By:

  
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Jerry H. Melendy, Jr.  
President