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State of Florida



Public Service Commission

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**DATE:** May 16, 2002  
**TO:** Division of Competitive Markets and Enforcement (Makin)  
**FROM:** Division of Auditing and Safety (Vandiver) W  
**RE:** **Docket No.** 020003-GU; Sebring Gas System, Inc.; **Audit Purpose:**  
 Purchased Gas Cost Recovery True-up for the period January 2001 -  
 December 2001; **Audit Control No.** 02-032-3-3

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
 Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
 Division of the Commission Clerk and Administrative Services (2)  
 Division of Competitive Markets and Enforcement (Harvey)  
 General Counsel  
 Office of Public Counsel

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- OTH \_\_\_\_\_

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**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF AUDITING AND SAFETY  
BUREAU OF AUDITING*

*Orlando District Office*

**SEBRING GAS SYSTEM, INC.**

**PURCHASED GAS ADJUSTMENT AUDIT**

**12-MONTH PERIOD ENDED DECEMBER 31, 2001**

**DOCKET NO. 020003-GU**

**AUDIT CONTROL NO. 02-032-3-3**

\_\_\_\_\_

*Jeffery A. Small, Audit Manager*

\_\_\_\_\_

*Charleston J. Winston, Audit Supervisor*

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT**

**MAY 1, 2002**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment (PGA) schedules for the historical 12-month period ended December 31, 2001, for Sebring Gas System, Inc. The attached schedules were prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 020003-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Schedules A-1 through A-6** - Compiled and recomputed the company's Schedules A-1 through A-6 for the period January 2001 through December 2001.

**PGA Revenues** - Compiled and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and general ledger.

**Cost of Gas** - Traced therms and cost of gas purchased to the company-provided invoices and company's general ledger.

**Other** - Recomputed a sample of customer bills using Commission-approved tariffs.

## **SUMMARY OF SIGNIFICANT FINDINGS**

The company's December 31, 2001, purchased gas adjustment final true-up balance is overstated by \$1,083.

## Exception No. 1

### Subject: True-Up at December 31, 2001

**Facts:** The company's purchased gas adjustment (PGA) true-up at December 31, 2001, per Schedule A-2 of the utility's filing reflected a \$1,027 overrecovery balance.

The above PGA true-up amount included a \$17,298 overrecovery balance as of September 31, 2001, which was calculated as follows.

<u>Line</u>	<u>True-Up Calculation</u>	<u>September 2001</u>
1	Purchased Gas Cost (Schedule A-1 Lines 1, 4, 10)	\$12,455
2	Transportation Cost (Schedule A-1 Lines 2, 3, 4, 5, 6)	\$3,573
3	Total (Schedule A-1 Line 11)	\$16,028
4	Fuel Revenues (Schedule A-1 Line 14)	\$17,394
5	True-up (Collected) Refunded	(\$1,980)
6	Fuel Revenue for Period (Line 4+5 above)	\$15,414
7	True-up Provision This Period (Line 3-6 above)	(\$614)
8	Interest Provision This Period (Line 21 below)	\$42
9	Beginning Period True-up and Interest (August 2001)	\$15,890
10	True-up Collected (Refunded) (Reverse Line 5 above)	\$1,980
10a	Flex Rate Refund	\$0
11	Total Estimated/Actual True-up	\$17,298
12	Beginning Period True-up and Interest (Line 9 above)	\$15,890
13	Ending True-up Before Interest (Line 7+12-5 above)	\$17,256
14	Total (Line 12+13 above)	\$33,146
15	Average True-up (½ of Line 14 above)	\$16,573
16	Beginning Month Interest Rate	3.47000%
17	Ending Month Interest Rate	2.67000%
18	Total (Line 16+17 above)	6.14000%
19	Average Interest Rate (½ of Line 18 above)	3.07000%
20	Average Monthly Interest Rate (Line 19 above / 12 months)	0.25583%
21	Interest Provision This Period (Line 15x20 above)	\$42

**Recommendation:** The audit staff has determined that the company's fuel revenues reported on Line 4, of the company's true-up calculation above, should be \$16,319 per its September 2001 customer billing registers. The above company error overstates its September 31, 2001, true-up balance by \$1,077 and its corresponding December 31, 2001, final true-up balance by \$1,083. See the following schedule for the audit staff's calculations.

The Commission should require the company to reduce its December 31, 2001, final true-up balance by \$1,083 per the audit staff's finding discussed above.

## Schedule for Exception No. 1

<u>Line</u>	<u>True-Up Calculation per the Audit Staff</u>	<u>September 2001</u>	<u>October 2001</u>	<u>November 2001</u>	<u>December 2001</u>
1	Purchased Gas Cost (Schedule A-1 Lines 1, 4, 10)	\$12,455	\$12,116	\$23,020	\$16,274
2	Transportation Cost (Schedule A-1 Lines 2, 3, 4, 5, 6)	\$3,573	\$4,204	\$4,466	\$4,489
3	Total (Schedule A-1 Line 11)	\$16,028	\$16,320	\$27,486	\$20,763
4	Fuel Revenues (Schedule A-1 Line 14)	\$16,319	\$17,050	\$13,778	\$17,410
5	True-up (Collected) Refunded	(\$1,981)	(\$1,981)	(\$1,981)	(\$1,981)
6	Fuel Revenue for Period (Line 4+5 above)	\$14,338	\$15,070	\$11,798	\$15,430
7	True-up Provision This Period (Line 3-6 above)	(\$1,690)	(\$1,251)	(\$15,689)	(\$5,334)
8	Interest Provision This Period (Line 21 below)	\$41	\$34	\$18	\$3
9	Beginning Period True-up and Interest (August 2001)	\$15,889	\$16,221	\$16,984	\$3,294
10	True-up Collected (Refunded) (Reverse Line 5 above)	\$1,981	\$1,981	\$1,981	\$1,981
10a	Flex Rate Refund	\$0	\$0	\$0	\$0
11	Total Estimated/Actual True-up per audit staff	\$16,221	\$16,984	\$3,294	(\$56)
11	Total Estimated/Actual True-up per company	<u>\$17,298</u>	<u>\$18,064</u>	<u>\$4,376</u>	<u>\$1,027</u>
	<b>Audit Staff Adjustment</b>	<b>(\$1,077)</b>	<b>(\$1,080)</b>	<b>(\$1,082)</b>	<b>(\$1,083)</b>
12	Beginning Period True-up and Interest (Line 9 above)	\$15,889	\$16,221	\$16,984	\$3,294
13	Ending True-up Before Interest (Line 7+12-5 above)	\$16,179	\$16,951	\$3,276	(\$59)
14	Total (Line 12+13 above)	\$32,068	\$33,171	\$20,261	\$3,236
15	Average True-up (½ of Line 14 above)	\$16,034	\$16,586	\$10,130	\$1,618
16	Beginning Month Interest Rate	3.47000%	2.67000%	2.22000%	2.04000%
17	Ending Month Interest Rate	2.67000%	2.22000%	2.04000%	1.78000%
18	Total (Line 16+17 above)	6.14000%	4.89000%	4.26000%	3.82000%
19	Average Interest Rate (½ of Line 18 above)	3.07000%	2.44500%	2.13000%	1.91000%
20	Average Monthly Interest Rate ( Line 19 above / 12 months)	0.25583%	0.20375%	0.17750%	0.15917%
21	Interest Provision This Period (Line 15x20 above)	\$41	\$34	\$8	\$3

(Small differences are attributed to rounding errors.)

COMPANY: SEBRING GAS SYSTEM, INC.		COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR								SCHEDULE A-1 (REVISED 6/6/94)
ESTIMATED FOR THE PERIOD OF:		JANUARY 01 Through DECEMBER 01				PERIOD TO DATE				
		CURRENT MONTH		DEC 01						
		ACTUAL	REVISED ESTIMATE	DIFFERENCE AMOUNT	%	ACTUAL	REVISED ESTIMATE	DIFFERENCE AMOUNT	%	
<b>COST OF GAS PURCHASED</b>										
1	COMMODITY (Pipeline)	\$288	\$216	(\$72)	(33.61)	\$2,685	\$2,907	\$222	7.54	
2	NO NOTICE SERVICE	0	0	0	0.00	0	0	0	0.00	
3	SWING SERVICE	0	0	0	0.00	0	0	0	0.00	
4	COMMODITY (Other)	15,986	9,773	(\$6,213)	(63.57)	329,278	299,845	(\$29,433)	(9.82)	
8	DEMAND	2,525	2,305	(\$220)	(9.54)	26,168	27,014	(\$1,154)	(4.27)	
8	OTHER - TECO Transportation	1,964	2,170	\$206	9.49	22,536	25,095	\$2,559	10.20	
<b>LESS END-USE CONTRACT</b>										
7	COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
8	DEMAND	0	0	0	0.00	0	0	0	0.00	
9		0	0	0	0.00	0	0	0	0.00	
10		0	0	0	0.00	0	0	0	0.00	
11	TOTAL COST (1+2+3+4+5+6+10)-(7+8+9)	\$20,763	\$14,464	(\$6,299)	(43.55)	\$382,667	\$354,861	(\$27,806)	(7.84)	
12	NET UNBILLED	0	0	0	0.00	0	0	0	0.00	
13	COMPANY USE	0	0	0	0.00	0	0	0	0.00	
14	TOTAL THERM SALES	\$17,410	\$14,464	(\$2,946)	(20.37)	\$398,824	\$354,861	(\$43,963)	(12.39)	
<b>THERMS PURCHASED</b>										
15	COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	67,920	62,000	(5,920)	(9.55)	670,410	717,000	46,590	6.50	
16	NO NOTICE SERVICE BILLING DETERMINANTS ONLY	0	0	0	0.00	0	0	0	0.00	
17	SWING SERVICE COMMODITY	0	0	0	0.00	0	0	0	0.00	
18	COMMODITY (Other) COMMODITY	67,920	62,000	(5,920)	(9.55)	725,000	717,000	(8,000)	(1.12)	
19	DEMAND BILLING DETERMINANTS ONLY	67,920	62,000	(5,920)	(9.55)	676,420	717,000	40,580	5.65	
20	OTHER - TECO TRANSPORT CHARGE BILLING DETERMINANTS ONLY	60,274	62,000	1,726	2.78	695,730	717,000	21,270	2.97	
<b>LESS END-USE CONTRACT</b>										
21	COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
22	DEMAND	0	0	0	0.00	0	0	0	0.00	
23		0	0	0	0.00	0	0	0	0.00	
24	TOTAL PURCHASES (17+18+)-(21+23)	67,920	62,000	(5,920)	(9.55)	725,000	717,000	(8,000)	(1.12)	
25	NET UNBILLED	0	0	0	0.00	0	0	0	0.00	
26	COMPANY USE	0	0	0	0.00	0	0	0	0.00	
27	TOTAL THERM SALES (24-26 Estimated Only) FROM SCHEDULE A-5 FOR ACTUAL	64,339	62,000	(2,339)	(3.77)	738,457	717,000	(21,457)	(2.99)	
<b>CENTS PER THERM</b>										
28	COMMODITY (Pipeline) (1/15)	0.424	0.348	(0.076)	(21.71)	0.401	0.405	0.005	1.22	
28	NO NOTICE SERVICE (2/16)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
30	SWING SERVICE (3/17)	0.000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
31	COMMODITY (Other) (4/18)	23.537	15.763	(7.774)	(49.32)	45.418	41.819	(3.598)	(8.60)	
32	DEMAND (5/19)	3.718	3.718	0.000	0.00	4.164	3.768	(0.397)	(10.53)	
33	OTHER (6/20)	3.258	3.500	0.242	6.90	3.239	3.500	0.261	7.45	
<b>LESS END-USE CONTRACT</b>										
34	COMMODITY Pipeline (7/21)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
35	DEMAND (8/22)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
36		0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
37	TOTAL COST OF PURCHASES (11/24)	30.570	23.329	(7.241)	(31.04)	52.782	49.492	(3.290)	(6.65)	
38	NET UNBILLED (12/25)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
39	COMPANY USE (13/26)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00	
40	TOTAL COST OF THERM SOLD (11/27)	32.271	23.329	(8.942)	(38.33)	51.820	49.492	(2.328)	(4.70)	
41	TRUE-UP (E-2)	3.22380	3.22380	0.00000	0.00	3.22380	3.22380	0.00000	0.00	
42	TOTAL COST OF GAS (40+41)	35.495	26.553	(8.942)	(33.68)	55.044	52.716	(2.328)	(4.42)	
43	REVENUE TAX FACTOR	1.01911	1.01911	0.00000	0.00	1.01911	1.01911	0.00000	0.00	
44	PGA FACTOR ADJUSTED FOR TAXES (42+43)	36.173	27.060	(9.113)	(33.68)	56.096	53.723	(2.372)	(4.42)	
45	PGA FACTOR ROUNDED TO NEAREST 001	36.173	27.060	(9.113)	(33.68)	56.096	53.723	(2.373)	(4.42)	



EXHIBIT II

COMPANY: SEBRING GAS SYSTEM, INC.		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2 (REVISED 6/08/94)	
FOR THE PERIOD OF:		JAN 01 Through DEC 01							
	CURRENT MONTH: DEC 01				PERIOD TO DATE				
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (A-1, LINES 1, 4 & 10)	\$16,274	\$9,989	(\$6,285)	(62.92)	\$331,963	\$302,752	(\$29,211)	(9.65)	
2 TRANSPORTATION COST (A-1, LINES 2, 3, 5 & 6)	4,489	4,475	(14)	(0.31)	50,704	52,109	1,405	2.70	
3 TOTAL (A-1, LINE 11)	20,763	14,464	(\$6,299)	(43.55)	382,667	354,861	(27,806)	(7.84)	
4 FUEL REVENUES (A-1, LINE 14) (NET OF REVENUE TAX)	17,410	14,464	(2,946)	(20.37)	398,824	354,861	(43,963)	(12.39)	
5 TRUE-UP (COLLECTED) OR REFUNDED	(1,980)	(1,980)	0	0.00	(23,760)	(23,760)	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	15,430	12,484	(2,946)	(23.60)	375,064	331,101	(43,963)	(13.28)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(5,333)	(1,980)	3,353	(169.34)	(7,603)	(23,760)	(16,157)	68.00	
8 INTEREST PROVISION - THIS PERIOD (21)	4	0	(4)	100.00	25	0	(25)	100.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	4,376	(7,845)	(12,221)	155.78	(15,155)	(7,845)	7,310	(93.18)	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	1,980	1,980	0	0.00	23,760	23,760	0	0.00	
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	\$1,027	(\$7,845)	(\$8,872)	113.10	\$1,027	(\$7,845)	(\$8,872)	113.09	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	\$4,376	(\$7,845)	(\$12,221)	155.78					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	1,023	(7,845)	(8,868)	113.04					
14 TOTAL (12+13)	5,399	(15,690)	(21,089)	134.41					
15 AVERAGE (50% OF 14)	2,700	(7,845)	(10,545)	134.41					
16 INTEREST RATE - FIRST DAY OF MONTH	2.04000%	0.00000%	-2.04000%	(100.00)					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.78000%	0.00000%	-1.78000%	(100.00)					
18 TOTAL (16+17)	3.8200%	0.00000%	-3.8200%	(100.00)					
19 AVERAGE (50% OF 18)	1.91000%	0.00000%	-1.91000%	(100.00)					
20 MONTHLY AVERAGE (19/12 Months)	0.15917%	0.00000%	-0.15917%	(100.00)					
21 INTEREST PROVISION (15x20)	\$4	\$0	(\$4)	(100.00)					

\* If line 5 is a refund add to line 4  
If line 5 is a collection ( ) subtract from line 4