

STATE OF FLORIDA

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DIVISION OF REGULATORY
COMPLIANCE AND CONSUMER
ASSISTANCE
DANIEL M. HOPPE, DIRECTOR
(850) 413-6480

Public Service Commission

August 2, 2004

Jerry H. Melendy, Jr.
Sebring Gas System, Inc.
3515 U. S. Highway 27, South
Sebring, FL 33870-5452

Re: **Docket No.** 040270-GU; **Company Name:** Sebring Gas System, Inc.; **Audit Purpose:** Determine Rate Base, Net Operating Income and Capital Structure for the historical test year ended December 31, 2003 and the project test year ending December 31, 2005;
Audit Control No. 04-215-3-1

Dear Mr. Melendy:

The Florida Public Service Commission will conduct an audit to determine rate base, net operating income and capital structure for the historical test year ended December 31, 2003 and the project test year ending December 31, 2005 in accordance with commission audit procedures. Access will be requested to documents and records of the utility and, if necessary, supporting records for affiliate company transactions that affect regulated operations. Staff auditors may also request to review the utility's external audit working papers for the most recent independent audit. Charleston Winston, the Orlando district office supervisor, will coordinate this audit. Mr. Winston can be reached at (407) 245-0846. Questions regarding the audit or audit staff should be directed to the district supervisor or myself. My phone number is (850) 413-6487.

The Audit Access to Records rule for each industry states:

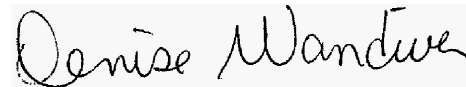
In those instances where the utility disagrees with the auditor's assessment of a reasonable response time to the audit request, the utility shall first attempt to discuss the disagreement with the auditor and reach an acceptable revised date. If agreement cannot be reached, the utility shall discuss the issue with successive levels of supervisors at the Commission until an agreement is reached.

DOCUMENT NUMBER-DATE

Jerry H. Melency, Jr.
Page 2
August 2, 2004

A formal report is expected to be issued for internal Commission use on October 4, 2004. A copy of the final report will be mailed to the company liaison listed in the Commission Mailing Directory.

Sincerely,



Denise N. Vandiver, Chief
Bureau of Auditing

DNV/jcp

cc: Division of Regulatory Compliance and Consumer Assistance (Orlando District Office, File Folder)
Division of the Commission Clerk and Administrative Services (2)
General Counsel
Office of Public Counsel

Norman H. Horton, Jr., Esq.
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