

STATE OF FLORIDA

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ORIGINAL
TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

June 11, 1999

Mr. Jerry H. Melendy, Sr.
Sebring Gas System, Inc.
3515 Highway 27 South
Sebring, FL 33870-5452

**Re: Docket No. 990003-GU - Sebring Gas System, Inc.
PGA Audit Report - Nine-month Period Ended December 31, 1998**

Mr. Melendy:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

DNV: sp

cc: Division of Records and Reporting
 Division of Auditing and Financial Analysis (Devlin/Causeaux/File Folder)
 Division of Electric and Gas (Makin)
 Orlando District Office (Winston)
 Division of Legal Services

Office of Public Counsel
 Research and Regulatory Review (Harvey)

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FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES

Orlando District Office

SEBRING GAS SYSTEM, INC.

PURCHASED GAS ADJUSTMENT AUDIT

NINE-MONTH PERIOD ENDED DECEMBER 31, 1998

DOCKET NO. 990003-GU

AUDIT CONTROL NO. 99-042-3-1

A handwritten signature in black ink, appearing to read "Charleston J. Winston", written over a horizontal line.

Charleston J. Winston, Audit Manager/Audit Supervisor

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

JUNE 1, 1999

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 schedule for the nine-month period ended December 31, 1998, for Sebring Gas System, Inc. The schedule was prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 990003-GU. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

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.

In our opinion, the schedule referred to above presents fairly, in all material respects, the company's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and any other matters which were noted in our examination.

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:

Scanned - The documents or accounts were read quickly looking for obvious errors.

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

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained from an independent third party.

Schedules A-1 through A-6 - Compiled and recomputed the company's Schedules A-1 through A-6 for the period April 1998 through December 1998.

PGA Revenues - Traced 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 to confirm that the company is using Commission-approved tariffs.

**CALCULATION OF TRUE-UP AMOUNT
PROJECTED PERIOD**

ESTIMATED FOR THE PROJECTED PERIOD:

APRIL, 1998

Through

MARCH, 1998

	PRIOR PERIOD: APRIL 96-MARCH 97			CURRENT PERIOD: 'APR 97-MAR 98	
	(1) TWO MONTHS ACTUAL PLUS FOUR MONTHS REVISED ESTIMATE	(2) ACTUAL	(3) (2)-(1) DIFFERENCE	(4) TWO MONTHS ACTUAL PLUS FOUR MONTHS REVISED ESTIMATE	(5) (3)+(4) TOTAL TRUE-UP
1 TOTAL THERM SALES \$	E-2, LINE 6 TOTAL COL 197,908	175,445 A-2, MARCH, LINES	(22,463)	232,449	209,986
2 TRUE-UP PROVISION FOR THIS PERIOD OVER (UNDER) COLLECTION	E-2 LINE 7 TOTAL CCL 8,160	(1,054) A-2, MARCH, LINE 7	(9,214)	(4,094)	(13,308)
3 INTEREST PROVISION FOR THIS PERIOD	E-2, LINE 8 461	344 A-2, MARCH, LINES	(117)	(527)	(644)
4 END OF PERIOD TOTAL NET TRUE-UP	LINE 2 + LINE 3 8,621	(710)	(9,331)	(4,621)	(13,952)

NOTE: EIGHT MONTHS ACTUAL FOUR MONTHS REVISED ESTIMATE DATA OBTAINED FROM SCHEDULE (E-2).

COLUMN (1) DATA OBTAINED FROM SCHEDULE (A-2)
 COLUMN (2) DATA OBTAINED FROM SCHEDULE (A-2) ;
 LINE 4 COLUMN (3) SAME AS LINE 7 SCHEDULE (A-2)

LINE 2 COLUMN (4) SAME AS LINE 7 SCHEDULE (E-2)
 LINE 3 COLUMN (4) SAME AS LINE 8 SCHEDULE (E-2)

**TOTAL TRUE UP, (\$13,952)/PROJECTED
 THERM SALES OF 650,662 EQUALS \$.021443
 (2.1443 CENTS) PER THERM TRUE UP
 COLLECTED.**

TRUE UP (\$13,952)
 THERMS 650,662
 COLLECT/THERM (\$0.021443)