

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 19, 2001
TO: Division of Competitive Services (Makin)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010003-GU; Sebring Gas System, Inc.;
PGA-Period Ended 12/31/2000; Audit Control No. 01-064-3-1

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services
Division of Legal Services

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

Messer Law Firm
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FPSC-RECORDS/REPORTING

MEMORANDUM

Date May 21, 2001

TO : DENISE VANDIVER, CHIEF OF AUDITING SERVICES
DIV. OF REGULATORY OVERSIGHT, TALLAHASSEE
FROM : *[Signature]* CHARLESTON J. WINSTON, AUDIT SUPERVISOR, ORLANDO DISTRICT
RE : COMPLETED AUDIT SUMMARY REPORT

Originator Wayne Makin

Company Sebring Gas System, Inc.

AFA Control No. 01-064-3-1 Docket No. 010003-GU

Purpose of Audit Purchased Gas Cost Recovery True-up for the Period January 2000 through

December 2000

Auditors Assigned _____ Audit Hrs. _____; _____ Audit Hrs. _____

Auditors Assigned _____ Audit Hrs. _____; _____ Audit Hrs. _____

Audit Manager Richard Brown Audit Hrs. 121 Audit Supervisor Hrs. 4

Date Field Work Began April 3, 2001 Field Work Ended April 27, 2001

Estimated Hours 80 Total Hours Charged (including travel & Supervisor) 135

Estimated Travel Hours 6

FOR THE FOLLOWING ITEMS USE ADDITIONAL PAPER AS NECESSARY - BE SPECIFIC

RECOMMENDATIONS FOR THE NEXT AUDIT: _____



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Orlando District Office

SEBRING GAS SYSTEM, INC.

PURCHASED GAS ADJUSTMENT AUDIT

12-MONTH PERIOD ENDED DECEMBER 31, 2000

DOCKET NO. 010003-GU

AUDIT CONTROL NO. 01-064-3-1

A handwritten signature in cursive script, appearing to read "Richard F. Brown".

Richard F. Brown, Audit Manager

A handwritten signature in cursive script, appearing to read "Charleston J. Winston".

Charleston J. Winston, Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

MAY 3, 2001

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) schedule for the historical 12-month period ended December 31, 2000, for Sebring Gas System, Inc. The attached schedule was prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 010003-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 2000 through December 2000.

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 using Commission-approved tariffs.

Audit Exception No. 1

Subject: True-Up at December 31, 2000

Statement of Fact: The purchased gas adjustment true-up at December 31, 2000, per Schedule A-2 of the utility-submitted filing was \$15,155. However, Account 191, Unrecovered Purchased Gas Costs per the general ledger, reflected a true-up balance of \$15,376 at the same date.

The \$221 (\$15,376- \$15,155) difference was attributable to interest charged per the November 2000 unpaid gas purchases balance. The interest reflected through the purchased gas adjustment cost recovery factor in November 2000 was credited the subsequent month.

The utility did not credit the disallowed interest to Account 191 per the general ledger. Therefore, the underrecovery is overstated by the \$221.

Recommendation: Staff recommends that the following journal entry be recorded to reflect the correct underrecovery per books at December 31, 2000.

Account 805.1 - Purchased Gas Cost Adjustments	\$221	
Account 191 - Unrecovered Purchased Gas Costs		\$221

COMPANY: SEBRING GAS SYSTEM, INC.
FIRST REVISION: 02/07/01

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2
(REVISED 6/08/94)

FOR THE PERIOD OF: JAN 00 Through DEC 00

	CURRENT MONTH: DEC 00				PERIOD TO DATE			
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 1, 4 & 10)	\$50,840	\$32,548	(\$18,092)	(89.59)	\$283,141	\$258,096	(\$25,045)	(9.70)
2 TRANSPORTATION COST (A-1, LINES 2, 3, 5 & 6)	4,988	5,440	454	8.35	58,950	48,438	(10,512)	(21.70)
3 TOTAL (A-1, LINE 11)	55,828	37,988	(17,838)	(46.43)	342,091	306,534	(35,557)	(11.60)
4 FUEL REVENUES (A-1, LINE 14) (NET OF REVENUE TAX)	38,948	37,988	1,042	2.74	335,903	308,334	(29,369)	(9.58)
5 TRUE-UP (COLLECTED) OR REFUNDED	(881)	(881)	0	0.00	(8,172)	(8,172)	0	0.00
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	38,298	37,307	1,042	2.79	327,731	298,362	(29,369)	(9.84)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(19,381)	(881)	18,680	(2,743.00)	(14,380)	(8,172)	6,188	(75.72)
8 INTEREST PROVISION - THIS PERIOD (21)	(32)	0	32	100.00	884	0	(884)	100.00
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	3,867	(7,845)	(11,402)	145.34	(9,631)	(7,845)	1,786	(22.77)
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	881	881	0	0.00	8,172	8,172	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)	(\$15,155)	(\$7,845)	\$7,310	(83.18)	(\$15,155)	(\$7,845)	\$7,310	(83.18)
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	\$3,587	(\$7,845)	(\$11,402)	145.34				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(15,123)	(7,845)	7,278	(92.77)				
14 TOTAL (12+13)	(11,586)	(15,890)	(4,124)	28.29				
15 AVERAGE (50% OF 14)	(5,894)	(7,845)	(1,951)	24.87				
16 INTEREST RATE - FIRST DAY OF MONTH	6.85000%	0.00000%	(0.06650)	(100.00)				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.50000%	0.00000%	(0.06500)	(100.00)				
18 TOTAL (16+17)	13.1500%	0.00000%	(0.13150)	(100.00)				
19 AVERAGE (50% OF 18)	6.57500%	0.00000%	(0.06575)	(100.00)				
20 MONTHLY AVERAGE (19/12 Months)	0.54792%	0.00000%	(0.00548)	(100.00)				
21 INTEREST PROVISION (15x20)	(\$32)	\$0	\$32	(100.00)				

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

Docket No. 010003-00
Sebring Gas System, Inc., Exhibit No.
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EXHIBIT