



Public Service Commission

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

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**DATE:** June 11, 2003  
**TO:** Division of Competitive Markets and Enforcement(Makin, Marshall)  
**FROM:** Division of Auditing and Safety (Vandiver) W  
**RE:** **Docket No.** 030003-GU; **Company Name:** Sebring Gas System, Inc.; **Audit Purpose:** Purchased Gas Cost Recovery True-up for the period January 2002 through December 2002; **Audit Control No.** 03-063-3-1

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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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DOCUMENT NUMBER DATE

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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, 2002**

**DOCKET NO. 030003-GU**

**AUDIT CONTROL NO. 03-063-3-1**

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

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*Richard F. Brown, Audit Manager*

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

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*Charleston J. Winston, Audit Supervisor*

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

**MAY 7, 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, 2002, 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. 030003-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 2002 through December 2002.

**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.

**Exception No. 1****Subject: Therm Sales and Customer Data (Schedule A-5)**

**Statement of Fact:** The following information and amounts reflected per the utility in the A-5 PGA schedules for March, April, and May 2002 were adjusted based on staff-verified data contained in the utility's billing register.

	March Per Audit Staff	March Per Utility	Difference
Commercial therm sales	56,300	63,558	(7,258)
Total commercial & residential firm sales	63,558	70,816	(7,258)
Therm use per customer - commercial	592.63	669.03	(76.40)

	April Per Audit Staff	April Per Utility	Difference
Commercial therm sales	55,880	55,678	202
Total commercial & residential firm sales	60,777	60,575	202

Commercial customers	94	93	1
Total customers	607	606	1

Therm use per customer - commercial	594.47	598.69	(4.22)
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	May Per Audit Staff	May Per Utility	Difference
Residential customers	437	513	(76)
Total customers	531	607	(76)
Therm use per customer - residential	9.02	7.68	1.34

**Recommendation:** The audit staff recommends that the utility's A-5 schedules be corrected to reflect the foregoing adjustments.

**EXHIBIT**

COMPANY: SEBRING GAS SYSTEM, INC.  
 FIRST REVISION: 01/17/2003

**CALCULATION OF TRUE-UP AND INTEREST PROVISION**

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

FOR THE PERIOD OF:	JAN 02		Through		DEC 02		PERIOD TO DATE		
	CURRENT MONTH:		DEC 02		ACTUAL	REVISED	DIFFERENCE		
	ACTUAL	REVISED	DIFFERENCE	AMOUNT			%	ACTUAL	REVISED
		ESTIMATE	AMOUNT	%		ESTIMATE	AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (A-1,LINES 1, 4 &10)	\$32,394	\$39,528	\$7,134	18.05	\$249,831	\$268,075	\$18,244	6.81	
2 TRANSPORTATION COST(A-1,LINES 2,3,5 & 6)	5,253	5,046	(207)	(4.10)	50,673	50,636	(37)	(0.07)	
3 TOTAL (A-1, LINE 11)	37,647	44,574	6,927	15.54	300,504	318,711	18,207	5.71	
4 FUEL REVENUES (A-1, LINE 14) (NET OF REVENUE TAX)	46,423	44,574	(1,849)	(4.15)	318,401	318,711	310	0.10	
5 TRUE-UP (COLLECTED) OR REFUNDED	1,943	1,943	0	0.00	23,316	23,316	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	48,366	46,517	(1,849)	(3.97)	341,717	342,027	310	0.09	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	10,719	1,943	(8,776)	(451.67)	41,213	23,316	(17,897)	(76.76)	
8 INTEREST PROVISION-THIS PERIOD (21)	14	(9)	(23)	100.00	(43)	(139)	(96)	100.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	9,008	(8,281)	(17,289)	208.78	(56)	(8,151)	(8,095)	99.31	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(1,943)	(1,943)	0	0.00	(23,316)	(23,316)	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)	\$17,798	(\$8,290)	(\$26,088)	314.70	\$17,798	(\$8,290)	(\$26,088)	314.69	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	\$9,008	(\$8,281)	(\$17,289)	208.779					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	17,784	(8,281)	(26,065)	314.756					
14 TOTAL (12+13)	26,792	(16,562)	(43,354)	261.767					
15 AVERAGE (50% OF 14)	13,396	(8,281)	(21,677)	261.767					
16 INTEREST RATE - FIRST DAY OF MONTH	1.30000%	1.30000%	0.00000	0.00000					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.29000%	1.29000%	0.00000	0.00000					
18 TOTAL (16+17)	2.5900%	2.5900%	0.00000	0.00000					
19 AVERAGE (50% OF 18)	1.29500%	1.29500%	0.00000	0.00000					
20 MONTHLY AVERAGE (19/12 Months)	0.10792%	0.10792%	0.00000	0.00000					
21 INTEREST PROVISION (15x20)	\$14	(\$9)	(\$23)	261.76744					

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