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COMMISSION
CLERK

DATE: October 13, 2004
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Division of Regulatory Compliance & Consumer Assistance (Mills)
RE Docket No. 040270-GU

Please place the following in the above docket file.

- Sebring Gas System, Rate Case (Schedules: B-4; B-5; B-8; C-6; G-1; I-1; I-2; I-3; I-4).

CEM:dr

Attachment

- cc: Without Attachments
 Kathy Kaproth
 John Baxter
 Matt Brinkley
 Elisabeth Draper
 Betty Gardner
 Craig Hewitt
 Chrissy Kenny
 Connie Kummer
 Pete Lester
 Christine Romig
 John Slemkewicz
 Paul Stallcup
 David Wheeler
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STATE OF FLORIDA

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Public Service Commission

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

October 8, 2004

TO: C.E. MILLS, CHIEF, BUREAU OF SAFETY, DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE, TALLAHASSEE

FROM: LOVEDALE C. PETERSIDE, ^{LCP} UTILITY SYSTEMS ENGINEER, BUREAU OF SAFETY, DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE, TAMPA DISTRICT

RE: SEBRING GAS SYSTEM RATE CASE, DOCKET NUMBER 040270-GU, PLANT ALLOCATION (SCHEDULE B-4, B-5, B-8, C-6, G-1, I-1, I-2, I-3 & I-4)

BRIEF

The Engineering Staff of the Bureau of Safety, Division of Regulatory Compliance and Consumer Assistance was directed to verify and evaluate the Plant Additions and Common Plant Allocations for Sebring Gas System, as contained in their Minimum Filing Requirement (MFR), Docket Number 040270-GU, Schedule B-4, B-5, B-8, C-6, G-1, I-1, I-2, I-3 and I-4. The directive also included a review to determine the appropriateness on Common Plant Allocations and the reasonableness of the Projected Plant Addition, Materials and Supplies.

An evaluation was conducted at Sebring Gas System Operational areas beginning October 4 thru 8, 2004. The evaluation determination, findings and recommendations are discussed in this report.

October 8, 2004

RE: SEBRING GAS SYSTEM RATE CASE, DOCKET NUMBER 040270-GU
PLANT ALLOCATION (SCHEDULE B-4, B-5, B-8, C-6, G-1, I-1, I-2, I-3 & I-4

RECOMMENDATION

It is recommended that the findings, determinations and recommendation should be entered into the record of Sebring Gas System Rate case Number 040270-GU and that all necessary allocations and adjustments be made by the Commission Analysts accordingly:

DISCUSSION

Staff evaluation of Schedule B-5 "ALLOCATION OF COMMON PLANT" is focused on each individual account and line items. The findings according to each account are stated as follows:

SCHEDULE B-5, PAGES 1 OF 3

LINE 13 – Account No. 387 – OTHER EQUIPMENT - \$3,542

This account contain the money used to purchase Flame Ionization Equipment (Flame Pack). This equipment is used for natural gas leak survey and leak detections. This account should be 100% allocated to regulated utility.

LINE 14 – Account No. 389 – LAND and LAND RIGHT - \$0

This account contain no money because Sebring Gas System has no Landed Property and all the present pipelines easements belongs to all utilities in the county. Hence, no money is paid or charged.

LINE 15 – Account No. 390 – LEASEHOLD IMPROVEMENTS - \$215.00

This account description is the cost associated with the improvement and addition of two new offices. The offices are used for natural gas operations. It is therefore recommended that the allocation be 100% regulated utility.

LINE 16 – Account No. 391.1 - OFFICE

This account description is for the office furniture in the regulated office. It should be 100% allocated for regulated utility.

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October 8, 2004

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LINE 17 – Account No. 391.2 – OFFICE EQUIPMENT - \$16,716

This account description is for the purchase of office equipments such as desktop computers, printers, copy machine and fax machine. The office equipments are used for regulated utility. It is therefore recommended that the allocation be 100% regulated utility.

LINE 18 – Account No. 392.1 – LIGHT VEHICLES - \$78,353

This account was used for the purchased of 3 light pick-up trucks. The pick-up trucks are used for natural gas operations. It is therefore recommended that the cost of the three vehicles be 100% allocated to regulated utility.

LINE 19 – Account No. 392.3 – OTHER VEHICLE - \$951.00

This account was used to purchase items such as reel trailer used to transport reels of natural gas plastic pipes from the storage facility to the construction site. The cost should be 100% allocated to regulated utility.

LINE 20 – Account No. 394 – TOOLS AND WORK EQUIPMENT - \$3,990.00

This account was used to purchase hand tools and plastic pipe fusion equipments. These equipments are used in the joining of natural gas plastic gas pipe during constructions. It should be 100% allocated to the regulated utility.

LINE 21 – Account No. 396 – POWER OPERATED EQUIPMENT - \$1,444.00

This account was used to purchase power generator, that is used at the construction sites for the fusion of natural gas plastic pipes. It should be 100% allocated to regulated utility.

LINE 22 – Account No. 397 – COMMUNICATION EQUIPMENT - \$972.00

This account was used for the purchase of Two-way Communication Radios. These radios are installed in the three pick-up trucks used for natural gas operations. It should be 100% allocated to regulated utility.

LINE 23 – Account No. 392 – MISCELLANEOUS EQUIPMENT - \$0

SCHEDULE B-8, CONSTRUCTION WORK IN PROGRESS

There is no major construction work in progress except the Holiday Inn Express, 2-inch service line 500 feet in length at a cost of \$1,443.00.

RE: SEBRING GAS SYSTEM RATE CASE, DOCKET NUMBER 040270-GU
PLANT ALLOCATION (SCHEDULE B-4, B-5, B-8, C-6, G-1, I-1, I-2, I-3 & I-4

SCHEDULE G-1, CONSTRUCTION BUDGET FOR 2004

The projected construction budget for 2004 is as follows:

4 RESIDENTIAL SERVICES @ \$621.26 each = \$2,485.04

2 COMMERCIAL SERVICES @ \$2,245.69 each = \$4,491.38

4 RESIDENTIAL METER SET @ \$114.15 each = \$456.60

2 COMMERCIAL METER SET @ \$928.12 each = \$1,856.28

MAINS

4" PE – Florida Avenue Project @ a cost of \$6,478.38

2" PE – DeSota Road Project @ a cost of \$11,214.59

It was determined that the Total Projected Construction Budget (**Plant Addition**) for the year 2004 is **\$26,982.27**. The **Retirement** for the year 2004 will be **\$4,140.90**. The evaluation revealed that most of the projects has been completed with the exception of the 4" and 2" mains. Staff was informed that the 4" PE main project will be completed prior to the end of 2004 and the 2" PE main may be carried over to 2005. It is recommended that this projection and the amount be accepted in its entirety.

PROJECTED CONSTRUCTION BUDGET (PLANT ADDITION) FOR 2005

The projected construction budget for 2005 is as follows:

4 RESIDENTIAL SERVICES = \$2,485.04

2 COMMERCIAL SERVICES = \$4,491.38

4 RESIDENTIAL METER SET = \$456.60

2 COMMERCIAL METER SET = \$1,856.28

MAINS

4" PE – Parkway Project @ a cost of \$36,937.70

2" PE – Francis 1 Project @ a cost of \$2,000.00

**RE: SEBRING GAS SYSTEM RATE CASE, DOCKET NUMBER 040270-GU
PLANT ALLOCATION (SCHEDULE B-4, B-5, B-8, C-6, G-1, I-1, I-2, I-3 & I-4**

The estimated projected construction budget (PLANT ADDITION) for 2005 is \$48,227 and projected RETIREMENT is \$3,579.60. It is recommended that this projection and amount be accepted.

SCHEDULE I-1, CUSTOMER INTERRUPTIONS

There were no Customer Interruptions effecting either ten percent or 500 meters during the historic year ending 2003.

SCHEDULE I-2, NOTIFICATION OF COMMISSION RULE VIOLATIONS

There is no Notification of Commission Rule Violation against Sebring Gas System that is in effect.

SCHEDULE I-3, METER TESTING – PERIODIC TESTING 250 CFH OR LESS AND 250 CFH THROUGH 2500 CFH

Record verification determined that all meters with a rated capacity of 250 CFH or less and 250 CFH through 2500 CFH have been tested within the 120 months of test year. Furthermore Sebring Gas does not have any meter with a rated capacity of over 2500 CFH in its system.

SCHEDULE I-4, RECORDS – VEHICLE ALLOCATION

Sebring Gas System provided a list containing 3 vehicles including a description and allocation. The list showed that the three vehicles were allocated to the regulated utility only. The vehicles are:

	<u>VEHICLE ID NO.</u>	<u>DESCRIPTION</u>	<u>ALLOCATION</u>
1.	1FTYR10C5WUB41625	1998 FORD RANGER	NATURAL GAS
2.	1FTRF17202NB26495	2002 FORD F-150	NATURAL GAS
3.	1FTNF21L3YEE29219	2002 FORD F-250	NATURAL GAS

RENTAL EXPENSE FOR SEBRING GAS OFFICE AT 3515 US HIGHWAY 27 SOUTH AND A WAREHOUSE AT 427 LEMON STREET, SEBRING

There has been no changes in terms of office space that Sebring Gas is renting, so they have been using the same figures established since 1992 rate case for rental payment. Sebring Gas is also renting a warehouse for the storage of natural gas equipments and supplies at a sum of \$300.00 per month. However, considering the rate of inflation since 1992 through 2004, it will be fair to make some adjustment in favor of Sebring Gas in relation to the real property lease expense. The analyst should determine such adjustment.

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Meanwhile, the current Sebring Gas office rent is \$500.00/month and the warehouse rent is \$300.00/month. Sebring Gas Pays a total sum of \$800.00 per month in rent.

CONCLUSION

The Sebring Gas System Engineering Studies for Rate Case Docket Number 040270 has been completed. This evaluation is based on the record verifications, on-site observation and other information generated from the staff of Sebring Gas System.

LCP/db

SEBRING GAS SYSTEM, INC.:-
DOCKET NO: 040270-GU
MINIMUM FILING REQUIREMENTS
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Florida Public Service Commission

To: Lovedale Peterside
From: Kathy Kaproth
Christine Romig
Date: September 30, 2004
Re: Sebring Gas Rate Case, Engineering Report

This is to request an engineering evaluation in the above docket. Attached are the following MFR schedules I would like the engineers to analyze.

- B-4 Monthly Plant Balances for 2003 13 months
- B-5 Allocation of Common Plant for 2003
- B-8 Construction Work in Progress
- C-6 Allocation of Expenses
- G-1 Monthly Plant Balances for 2004 13 months
- G-1 Monthly Plant Balances for 2005 13 months
- G-1 Allocation of Common Plant for 2004 13 months
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- 1-4 Records – Vehicle Allocation

If you have any questions or need additional information, please call me at at 413-6922 or Christine Romig at 413-6447.

cc Cecil E. Mills, Chief of Safety, Division of Regulatory Compliance & Consumer Assistance.