

State of Florida



Public Service Commission

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DATE: June 27, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance and Consumer Assistance
RE: Docket No. 080004-GU; Company Name: Sebring Gas System, Inc.; Audit Purpose: Gas Conservation; Company Code: GU617; Audit Control No.: 08-037-2-5

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 Office of Commission Clerk. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Office of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Jerry H. Melendy, Jr.
Sebring Gas System, Inc.
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Sebring, FL 33870-5452

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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

SEBRING GAS SYSTEM, INC.

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2007

**DOCKET NO. 080004-GU
AUDIT CONTROL NO. 08-037-2-5**

A handwritten signature in black ink, appearing to read "Tomer".

Tomer Kopelovich, Audit Staff

A handwritten signature in black ink, appearing to read "J.W. Rohrbacher".

Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

June 23, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedule prepared by Sebring Gas System, Inc. in support of its filing for Energy Conservation Cost Recovery in Docket No. 080004-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards of Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that Energy Conservation Cost Recovery (ECCR) revenues as filed were completely and properly recorded on the books of the company and that the company applied the approved ECCR rate factors to therms sold.

Procedures: - We compiled ECCR revenues and agreed it to the filing. Recomputed ECCR revenues using approved Florida Public Service Commission (FPSC) rate factors and verified that the company applied the approved ECCR rate factors to therms sold. We reconciled the filing to the General Ledger. We recalculated energy charge for customer bills selected from various rate classes and determined that the company used the correct rates approved by the Commission. Audit Finding No. 1 addresses the amounts reported in the filing.

EXPENSES

Objective: - To verify that Energy Conservation Cost Recovery Costs agree to the general ledger and reconcile to the books and records of the company.

Procedures: - We compiled ECCR expenses and agreed it to the filing. We reconciled the filing to the General Ledger. We verified that expenses were ECCR related. Audit Finding No. 1 addresses the amounts reported in the filing.

TRUE-UP

Objective: - To determine if the True-up Calculation and interest provision as filed were properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed the 2007 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

Audit Finding No. 1

Subject: Adjustments to the Filing

Audit Analysis: The FPSC approved ECCR programs for Sebring Gas System, Inc. in Order No. PSC-07-0693-TRF-EG, issued August 24, 2007. The utility started billing for ECCR rates in September 2007. A review of utility records revealed omission of revenues and expenses in the filing.

Revenues were understated by \$46 in rate class TS-2 for November.

Legal expenses for review of testimony, draft and file Petition and draft and file Preliminary List of Issues and Positions were inadvertently omitted from the filing. This caused the Outside Services expenses to be understated by \$428 for October.

Effect on the General Ledger: None

Effect on the Filing: The December 31, 2007 net True-up is under recovered by \$382 (428 – 46).

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2007 THROUGH DECEMBER 2007

CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	0	0	0	0	0	0	0	0	(2,158)	(2,482)	(2,651)	(2,881)	(10,172)
4. TOTAL REVENUES	0	0	0	0	0	0	0	0	(2,158)	(2,482)	(2,651)	(2,881)	(10,172)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	0	0	0	0	0	0	0	0	0	0	0	0	0
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	0	0	0	0	0	0	0	0	(2,158)	(2,482)	(2,651)	(2,881)	(10,172)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,187	0	0	4,999	204	0	0	5,499	250	0	225	0	12,344
8. TRUE-UP THIS PERIOD	1,187	0	0	4,999	204	0	0	5,499	(1,965)	(2,482)	(2,428)	(2,881)	2,172
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	3	5	5	18	28	28	28	43	49	38	28	16	284
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	0	1,170	1,175	1,180	8,195	8,427	8,455	8,483	12,025	10,188	7,721	5,321	
11 PRIOR TRUE-UP COLLECTED/(REFUNDED)	0	0	0	0	0	0	0	0	0	0	0	0	
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	1,170	1,175	1,180	8,195	8,427	8,455	8,483	12,025	10,188	7,721	5,321	2,458	2,458