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

DATE: June 16, 2009

TO: Devlin Higgins , Regulatory Analyst II, Division of Economic Regulation

FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*

RE: Docket No. 090004-GU - Company Name: Sebring Gas System, Inc.
 Audit Purpose: Energy Conservation Cost Recovery; Company Code: GU 617
 Audit Control No: 09-028-2-5

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/ch
 Attachment: Audit Report

cc: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
 Miami District Office, Tampa District Office, File Folder)
 Office of Commission Clerk (2)
 Office of the General Counsel

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

Norman H. Horton, Jr.
 Messer Law Firm
 P.O. Box 15579
 Tallahassee, FL 32317

DOCUMENT NUMBER-DATE

05981 JUN 16 8

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FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING**

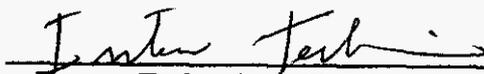
TALLAHASSEE DISTRICT OFFICE

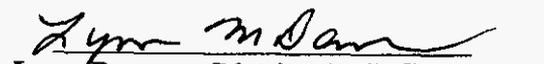
SEBRING GAS SYSTEM, INC.

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2008

**DOCKET NO. 090004-GU
AUDIT CONTROL NO. 09-028-2-5**


Intesar Terkawi, Audit Manager


Lynn Deamer, District Audit Supervisor

DOCUMENT NUMBER-DATE

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

May 20, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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. 090004-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 and the report is intended 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.

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 2008 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates on the filing revised and filed with this Commission May 5, 2009

Audit Finding No. 1

Subject: Legal Fees

Audit Analysis: The program costs should be reduced by \$1,166 for the year ended December 31, 2008 for out of period expenses.

The company included an amount of \$1,166 that represents legal fees to Jeff Householder in the 2008 filing. The amount was divided among the following accounts:

253.11 Residential New Homes	\$389
253.12 Residential Appliance Replacement	\$389
253.13 Customer Retention Program	\$388

This invoice was also included in the 2007 filing.

Effect on the General Ledger: The following entries should be made to the general ledger.

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
253.11	Residential New Homes		\$389
253.12	Residential Appliance Replacement		\$389
253.13	Customer Retention Program		\$388
250.00	Retained Earning	\$1,166	

Effect on the Filing: The December 31, 2008 program costs is overstated by \$1,166, and the interest amount is overstated by \$31.

(Revised)

COMPANY: Sebring Gas Systems
Docket No. 050004-GU
Exhibit JRM-1
Page 6 of 13

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2008 THROUGH DECEMBER 2008

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 ADV REVS	(3,219)	(2,989)	(3,019)	(3,128)	(2,990)	(2,992)	(2,606)	(2,232)	(2,497)	(2,769)	(2,780)	(3,510)	(33,883)
4. TOTAL REVENUES	(3,219)	(2,989)	(3,019)	(3,128)	(2,990)	(2,992)	(2,606)	(2,232)	(2,497)	(2,769)	(2,780)	(3,510)	(33,883)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(384)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(3,251)	(3,019)	(3,051)	(3,160)	(2,922)	(2,964)	(2,638)	(2,264)	(2,519)	(2,801)	(2,812)	(3,542)	(34,267)
7. CONSERVATION DIPS (FROM CT-3, PAGE 1)	1,187	0	350	0	0	1,425	0	0	0	1,974	651	1,280	6,817
8. TRUE-UP THIS PERIOD	(2,064)	(3,019)	(2,701)	(3,160)	(2,922)	(1,139)	(2,638)	(2,264)	(2,519)	(827)	(2,161)	(2,298)	(27,490)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(5)	(10)	(16)	(22)	(28)	(29)	(33)	(38)	(65)	(75)	(45)	(23)	(390)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(382)	(2,439)	(5,432)	(8,117)	(11,268)	(13,886)	(15,022)	(17,662)	(18,932)	(22,484)	(23,355)	(25,529)	
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	32	32	32	32	32	32	32	32	32	32	32	32	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(2,438)	(5,432)	(8,117)	(11,268)	(13,886)	(15,022)	(17,662)	(18,932)	(22,484)	(23,355)	(25,529)	(27,818)	(27,820)