

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 8, 2010
TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CP
RE: Docket No.: 100004-GU
Company Name: Sebring Gas System, Inc.
Company Code: GU617
Audit Purpose: Gas Conservation Cost Recovery
Audit Control No: 10-004-1-1

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

CP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING**

Tallahassee District Office

SEBRING GAS SYSTEM, INC.

NATURAL GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

**DOCKET NO. 100004-GU
AUDIT CONTROL NO. 09-350-1-3**

A handwritten signature in black ink, appearing to read "Debra M. Dobiac", written over a horizontal line.

Debra M. Dobiac, Audit Manager

A handwritten signature in black ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer, District Audit Supervisor

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

June 7, 2010

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 schedules prepared by Sebring Gas System, Inc. in support of its filing for Natural Gas Conservation Cost Recovery, Docket No. 100004-GU.

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

I. OBJECTIVES AND PROCEDURES

REVENUES

Objective: To verify that the revenues recorded on schedule CT-3, page 2, agree with the utility's general ledger.

Procedures: The audit staff recalculated the conservation revenue and traced it to the utility filed Schedule CT-3, page 2. We traced the recalculated revenue to the general ledger account 253.2 – Conservation Revenue in 2009. Variances were noted and deemed immaterial.

Objective: To verify that the utility has applied the approved ECCR adjustment factors to therm sales during the period.

Procedures: We obtained the utility billing factors and FPSC Order No. PSC-08-0785-FOF-GU, issued December 1, 2008, for the approved ECCR adjustment factors per therm for 2009. We recalculated and scheduled the monthly billing factor for 2009. The audit staff recalculated a judgmental sample of customer bills to verify that the utility is using the appropriate billing factor. No exceptions were noted.

EXPENSES

Objective: To verify the expenses recorded on schedule CT-3, page 1 and 2, match the amounts on the utility's general ledger.

Procedures: We obtained the Energy Conservation Allowance Program reports for 2009 and reconciled them to the schedule CT-3. The audit staff traced the allowance amounts to the general ledger accounts 253.11 – Conservation Expense-Residential New Home, 253.12 – Conservation Expense-Residential Appliance Replacement, and 253.13 – Conservation Expense-Customer Retention. No exceptions were noted.

TRUE-UP

Objective: To determine that the utility conservation cost recovery true-up and interest provision filed with the FPSC was calculated correctly.

Procedures: We recalculated the true-up from the utility filing, and reconciled the beginning true-up and interest provision to FPSC Order No. PSC-09-0733-FOF-GU, issued November 4, 2009, as well as the end of period and total net true-up. The audit staff traced the interest rates to the 30-day Commercial Paper Rates. An immaterial variance was noted.

OTHER

Objective: To review all builder agreements entered into during 2009 and verify incentives offered to builders match the utility's conservation programs.

Procedures: The utility didn't enter into any builder agreements in 2009.

Objective: To verify any advertising (billboard, television, radio, etc.) complies with Rule 25-17.015(5) Florida Administrative Code (F.A.C.).

Procedures: The audit staff selected a judgmental sample of transactions and traced amounts to invoices noting the proper period, proper account, appropriate advertisement, and applicable to conservation. We verified that advertising expense complies with Rule 25-17.015(5) F.A.C. without exception.

Objective: To verify that the utility has given tankless water heater rebates equal to the cash allowances of currently approved standard natural gas water heaters for the year ended December 31, 2009.

Procedures: The audit staff obtained FPSC Order No. PSC-07-0693-TRF-EG , issued August 24, 2007, which authorized cash allowances for gas tankless water heaters. We obtained copies of the utility correspondence and issued check copies that provided rebates for tankless water heaters, and reconciled the amounts shown on the supporting documentation to the amounts allowed in the FPSC Order noted above. No exceptions were noted.

II. EXHIBITS

EXHIBIT NO. 1 – TRUE-UP

SCHEDULE 1		ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION												COMPANY		
PAGE 2 OF 3		JANUARY 2009 THROUGH DECEMBER 2009												Sterling Gas System		
		ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION												Order No: 00004-00		
		JANUARY 2009 THROUGH DECEMBER 2009												Echelon Unit 1		
		JANUARY 2009 THROUGH DECEMBER 2009												Page 8 of 13		
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	0	
2	OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3	CONSERV. ADJUSTS	(833)	(815)	(830)	(897)	(583)	(624)	(670)	(588)	(540)	(578)	(626)	(773)	(6,032)		
4	TOTAL REVENUES	(833)	(815)	(830)	(897)	(583)	(624)	(670)	(588)	(540)	(578)	(626)	(773)	(6,032)		
5	PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(2,318)	(27,820)		
6	CONSERVATION REVS APPLICABLE TO THE PERIOD	(3,152)	(3,133)	(3,149)	(3,071)	(2,902)	(2,943)	(2,889)	(2,877)	(2,858)	(2,897)	(2,942)	(3,091)	(35,852)		
7	CONSERVATION EXPS FROM CTA PAGE 1)	0	0	500	0	3,328	0	0	576	3,180	1,115	2,581	667	11,928		
8	TRUE-UP THIS PERIOD (FROM CTA PAGE 1)	(3,152)	(3,133)	(2,649)	(3,071)	436	(2,943)	(2,889)	(2,352)	312	(1,782)	(361)	(2,404)	(23,926)		
9	INTER PERIOD TRUE-UP (FROM CTA PAGE 2)	(16)	(16)	(16)	(12)	(9)	(9)	(9)	(7)	(0)	(5)	(4)	(4)	(112)		
10	TRUE-UP & INTER PERIOD BEGINNING OF MONTH	(27,820)	(26,665)	(26,503)	(26,648)	(20,594)	(27,808)	(26,440)	(26,018)	(26,064)	(26,434)	(26,907)	(23,949)			
11	PRIOR TRUE-UP CTA (PFD/UNFUNDED)	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	24,038		
12	TOTAL NET TRUE-UP (SUM LINES 8-11+12)	(24,660)	(23,503)	(23,840)	(20,554)	(17,828)	(28,490)	(29,019)	(26,551)	(26,434)	(25,902)	(23,540)	(24,038)	(24,038)		