

State of Florida



Public Service Commission

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CLERK

DATE: June 27, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120004-GU
 Company Name: Sebring Gas System, Inc.
 Company Code: GU617
 Audit Purpose: A3e Gas Conservation Cost Recovery
 Audit Control No: 12-010-1-3

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.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

FILED AT TALLAHASSEE

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FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Sebring Gas System, Inc.
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2011

Docket No. 120004-GU
Audit Control No. 12-010-1-3

June 22, 2012

Handwritten signature of Intesar Terkawi in black ink.

Intesar Terkawi
Audit Manager

Handwritten signature of Lynn M. Deamer in black ink.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 10, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Sebring Gas System, Inc. in support of its 2011 filing for the Gas Conservation Cost Recovery Clause in Docket No.120004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Sebring Gas System, Inc.
GCCR refers to Gas Conservation Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual GCCR therms sold for the period January 1, 2011 through December 31, 2011 and whether the Utility applied the Commission approved GCCR factor to actual therms sales for the GCCR.

Procedures: We reconciled the 2011 filing to the Utility's monthly GCCR Revenue Reports. We selected a random sample of residential and commercial customers' bills for the months of March, September, and December 2011 and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-2 filing was supported by adequate documentation and that the GCCR costs are appropriately recoverable through the GCCR.

Procedures: We traced expenses in the filing to the general ledger. We reviewed all O&M Expenses to ensure that the expenses were related to the GCCR and that the expenses were charged to the correct accounts. No exceptions were noted.

True-up

Objective: The objective was to determine if the GCCR True-up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2010 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 Conservation revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2011 to 2010 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-up

SCHEDULE CT-3													Company: Sebring Gas System, Inc.
PAGE 2 OF 3													Docket No. 120004-GU
Energy conservation Adjustment Calculation of True-Up and Interest Provision													
For Months: January 2011 through December 2011													
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	<u>(\$4,104)</u>	<u>(\$3,396)</u>	<u>(\$3,580)</u>	<u>(\$2,879)</u>	<u>(\$2,882)</u>	<u>(\$2,665)</u>	<u>(\$2,484)</u>	<u>(\$2,766)</u>	<u>(\$2,585)</u>	<u>(\$2,842)</u>	<u>(\$3,230)</u>	<u>(\$3,271)</u>	<u>(\$36,684)</u>
4 TOTAL REVENUES	<u>(\$4,104)</u>	<u>(\$3,396)</u>	<u>(\$3,580)</u>	<u>(\$2,879)</u>	<u>(\$2,882)</u>	<u>(\$2,665)</u>	<u>(\$2,484)</u>	<u>(\$2,766)</u>	<u>(\$2,585)</u>	<u>(\$2,842)</u>	<u>(\$3,230)</u>	<u>(\$3,271)</u>	<u>(\$36,684)</u>
5 PRIOR PERIOD TRUE-UP													
NOT APPLICABLE													
TO THIS PERIOD	<u>(\$1,125)</u>	<u>(\$1,125)</u>	<u>(\$1,125)</u>	<u>(\$1,124)</u>	<u>(\$1,125)</u>	<u>(\$1,125)</u>	<u>(\$1,124)</u>	<u>(\$1,125)</u>	<u>(\$1,125)</u>	<u>(\$1,124)</u>	<u>(\$1,125)</u>	<u>(\$1,124)</u>	<u>(\$13,496)</u>
6 CONSERVATION REVS													
APPLICABLE TO THIS													
PERIOD	<u>(\$5,229)</u>	<u>(\$4,521)</u>	<u>(\$4,705)</u>	<u>(\$4,003)</u>	<u>(\$4,007)</u>	<u>(\$3,790)</u>	<u>(\$3,608)</u>	<u>(\$3,891)</u>	<u>(\$3,710)</u>	<u>(\$3,966)</u>	<u>(\$4,355)</u>	<u>(\$4,395)</u>	<u>(\$50,180)</u>
7 CONSERVATION EXPS													
(FROM CT-3, PAGE 1)	\$1,315	\$2,821	\$5,036	\$2,796	\$1,241	\$3,416	\$2,274	\$2,624	\$1,709	\$2,132	\$5,328	\$3,948	\$34,640
8 TRUE-UP THIS PERIOD	<u>(\$3,914)</u>	<u>(\$1,700)</u>	<u>\$331</u>	<u>(\$1,207)</u>	<u>(\$2,766)</u>	<u>(\$374)</u>	<u>(\$1,334)</u>	<u>(\$1,267)</u>	<u>(\$2,001)</u>	<u>(\$1,834)</u>	<u>\$973</u>	<u>(\$447)</u>	<u>(\$15,540)</u>
9 INT. PROV. THIS PERIOD													
(FROM CT-3, PAGE 3)	<u>(\$3)</u>	<u>(\$3)</u>	<u>(\$3)</u>	<u>(\$3)</u>	<u>(\$2)</u>	<u>(\$2)</u>	<u>(\$2)</u>	<u>(\$1)</u>	<u>(\$1)</u>	<u>(\$1)</u>	<u>(\$1)</u>	<u>(\$1)</u>	<u>(\$24)</u>
10 TRUE-UP & INT. PROV.													
BEGINNING OF MONTH.	<u>(\$13,496)</u>	<u>(\$16,288)</u>	<u>(\$16,867)</u>	<u>(\$15,414)</u>	<u>(\$15,499)</u>	<u>(\$17,142)</u>	<u>(\$16,394)</u>	<u>(\$16,606)</u>	<u>(\$16,749)</u>	<u>(\$17,626)</u>	<u>(\$18,337)</u>	<u>(\$16,240)</u>	
11 PRIOR TRUE-UP													
COLLECTED (REFUNDED)	<u>\$1,125</u>	<u>\$1,125</u>	<u>\$1,125</u>	<u>\$1,124</u>	<u>\$1,125</u>	<u>\$1,125</u>	<u>\$1,124</u>	<u>\$1,125</u>	<u>\$1,125</u>	<u>\$1,124</u>	<u>\$1,125</u>	<u>\$1,124</u>	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	<u>(16,288)</u>	<u>(16,867)</u>	<u>(15,414)</u>	<u>(15,499)</u>	<u>(17,142)</u>	<u>(16,394)</u>	<u>(16,606)</u>	<u>(16,749)</u>	<u>(17,626)</u>	<u>(18,337)</u>	<u>(16,240)</u>	<u>(15,564)</u>	<u>(15,564)</u>