

State of Florida



Public Service Commission

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

DATE: May 23, 2000
 TO: Division of Electric and Gas (Makin)
 FROM: Division of Auditing and Financial Analysis (Vandiver) *W*
 RE: 000003-GU; Sebring Gas System, Inc.
 Audit Report; PGA - Period Ended December 31, 1999
 Audit Control No. 00-003-3-1

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, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)
 Orlando District Office (Winston)
 Division of Records and Reporting
 Division of Legal Services

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

Messer Law Firm
 P. O. Box 1876
 Tallahassee, FL 32302

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES*

Orlando District Office

SEBRING GAS SYSTEM, INC.

PURCHASED GAS ADJUSTMENT AUDIT

TWELVE-MONTH PERIOD ENDED DECEMBER 31, 1999

DOCKET NO. 000003-GU

AUDIT CONTROL NO. 00-003-3-1

A handwritten signature in cursive script, appearing to read "Richard F. Brown".

Richard F. Brown, Audit Manager

A handwritten signature in cursive script, appearing to read "Charleston J. Winston".

Charleston J. Winston, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

MAY 12, 2000

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment schedule for the twelve-month period ended December 31, 1999, for Sebring Gas System, Inc. The attached schedule was prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 000003-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Schedules A-1 through A-6 - Compiled and recomputed the company's Schedules A-1 through A-6 for the period January 1999 through December 1999.

PGA Revenues - Traced and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and general ledger.

Cost of Gas - Traced therms and cost of gas purchased to the company-provided invoices and company's general ledger.

Other - Recomputed a sample of customer bills to confirm that the company is using Commission-approved tariffs.

Audit Exception No. 1

Subject: Therm Sales

Statement of Facts: Therm sales, per individual billing cycles, recorded in the billing register did not reconcile to the total summary in the billing register for each month during calendar year 1999.

Recommendation: Utility representatives were unable to determine the cause attributable to the therm discrepancy between the detail and summary recordings.

Total residential and commercial gas revenues of \$494,889.98 for 1999 were reflected accurately between the billing program's detail and summary total and reconciled to within \$176.01 based on a recalculation employing the base, energy, and fuel rates.

The PGA or fuel revenues, unlike total gas revenues, were misstated, as they were computed by the utility based on the above erroneous therm count.

The revised PGA revenues and interest based on adjusted therms as compared to the originally filed amounts are reflected on Schedules A and B on the following pages:

Exception No. 1, contd.

Schedule A

<u>Month</u>	<u>Revised PGA Sales</u>	<u>PGA Sales Per Filing</u>	<u>Difference</u>
January 1999	\$25,057	\$24,415	\$642
February	20,055	19,506	549
March	19,542	19,104	438
April	15,940	15,699	241
May	13,974	13,741	233
June	18,102	17,941	161
July	15,195	15,197	(2)
August	21,916	21,955	(39)
September	18,008	18,069	(61)
October	21,007	21,049	(42)
November	25,622	25,770	(148)
December	<u>26,702</u>	26,812	(110)
Totals	<u>\$241,120</u>	<u>\$239,258</u>	<u>\$1,862</u>

Exception No. 1, contd.

Schedule B

<u>Month</u>	<u>Revised Interest</u>	<u>PGA Interest Per Filing</u>	<u>Difference</u>
January 1999	\$29	\$27	\$2
February	35	31	4
March	34	28	6
April	25	18	7
May	3	(5)	8
June	(16)	(25)	9
July	(26)	(36)	10
August	(29)	(39)	10
September	(30)	(40)	10
October	(41)	(51)	10
November	(53)	(63)	10
December	<u>(53)</u>	<u>(62)</u>	<u>9</u>
Totals	<u>(\$122)</u>	<u>(\$217)</u>	<u>\$95</u>

Exception No. 1, contd.

The utility PGA filing reflected an underrecovery of \$11,588 at December 31, 1999.

The underrecovered amount should be adjusted by \$1,957 ($\$1,862 + \95) to reflect a revised underrecovery of \$9,631 at December 31, 1999.

It is also recommended that Sebring Gas System, Inc. determine the rationale for the computer program data variances and make the necessary corrections.

FOR THE PERIOD OF:	JAN 99		Through		DEC 99			
	CURRENT MONTH:				PERIOD TO DATE			
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE	
		AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1,LINES 1, 4 & 10)	\$17,857	\$23,788	\$5,931	24.93	\$169,241	\$175,830	\$6,589	3.75
2 TRANSPORTATION COST(A-1,LINES 2,3,5 & 6)	5,379	4,944	(435)	(8.80)	86,770	74,401	(12,369)	(16.62)
3 TOTAL (A-1, LINE 11)	23,236	28,732	5,496	19.13	256,011	250,231	(5,780)	(2.31)
4 FUEL REVENUES (A-1, LINE 14) (NET OF REVENUE TAX)	26,812	28,732	1,920	6.68	239,258	237,006	(2,252)	(0.95)
5 TRUE-UP (COLLECTED) OR REFUNDED	568	568	0	0.00	6,816	6,816	0	0.00
6 FUEL REVENUE APPLICABLE TO PERIOD • (LINE 4 (+ or -) LINE 5)	27,380	29,300	1,920	6.55	246,074	243,822	(2,252)	(0.92)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	4,144	568	(3,576)	(629.65)	(9,937)	(6,409)	3,528	(55.05)
8 INTEREST PROVISION-THIS PERIOD (21)	(62)	0	62	100.00	(217)	(1)	216	100.00
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(15,103)	(7,845)	7,258	(92.52)	5,381	5,381	0	0.00
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(568)	(568)	0	0.00	(6,816)	(6,816)	0	0.00
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(\$11,588)	(\$7,845)	\$3,743	(47.72)	(\$11,589)	(\$7,845)	\$3,744	(47.72)
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(\$15,103)	(\$7,845)	\$7,258	(92.52)	* If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4			
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(11,527)	(7,845)	3,682	(46.93)				
14 TOTAL (12+13)	(26,630)	(15,690)	10,940	(69.72)				
15 AVERAGE (50% OF 14)	(13,315)	(7,845)	5,470	(69.72)				
16 INTEREST RATE - FIRST DAY OF MONTH	5.55000%	0.00000%	-5.55000%	(100.00)				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.60000%	0.00000%	-5.60000%	(100.00)				
18 TOTAL (16+17)	11.1500%	0.00000%	-11.1500%	(100.00)				
19 AVERAGE (50% OF 18)	5.57500%	0.00000%	-5.57500%	(100.00)				
20 MONTHLY AVERAGE (19/12 Months)	0.46458%	0.00000%	-0.46458%	(100.00)				
21 INTEREST PROVISION (15x20)	(\$62)	\$0	\$62	(100.00)				

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