

TIMOTHY DEV AUDITING & FINANCIAL ANAL (850) 413-6480

Public Service Commission

June 11, 1999

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

Re: Docket No. 990003-GU - Sebring Gas System, Inc. PGA Audit Report - Nine-month Period Ended December 31, 1998

Mr. Melendy:

Commissioners:

J. TERRY DEASON

SUSAN F. CLARK JULIA L. JOHNSON E. LEON JACOBS, JR.

JOE GARCIA, CHAIRMAN

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

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Denise N. Vandiver Bureau Chief - Auditing Services

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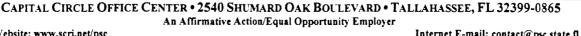
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Division of Records and Reporting cc: Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder) Division of Electric and Gas (Makin) Orlando District Office (Winston) **Division of Legal Services**

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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

NINE-MONTH PERIOD ENDED DECEMBER 31, 1998

DOCKET NO. 990003-GU

AUDIT CONTROL NO. 99-042-3-1

Charleston J. Winston, Audit Manager/Audit Supervisor

DIVISION OF AUDITING AND FINANCIAL ANALYSIS AUDITOR'S REPORT

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JUNE 1, 1999

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 nine-month period ended December 31, 1998, for Sebring Gas System, Inc. The schedule was prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 990003-GU. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

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.

In our opinion, the schedule referred to above presents fairly, in all material respects, the company's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and any other matters which were noted in our examination.

SUMMARY OF SIGNIFICANT PROCEDURES

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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:

Scanned - The documents or accounts were read quickly looking for obvious errors.

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 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 April 1998 through December 1998.

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 Commissionapproved tariffs.

| MPANY: SEBRING GAS SYSTEM, INC. CALCULATION OF TRUE-UP AMOUNT PROJECTED FERIOD | | | | | SCHEDULE E-4 (REVISED &/19/83) | |
|---|---|-------------------------------|------------------------------|--|------------------------------------|--|
| ESTIMATED FOR THE PRO | JECTED PERIOD: | APRIL, 1998 | Through | MARCH, 1990 | | |
| Ť | PRIOR PERIOD: APRIL 96-MARCH 97 | | | CURRENT PERIOD: 'APR \$7-MAR \$5 | | |
| • •• •• | (1) TWO MONTHS ACTUAL PLUS FOUR MONTHS REVISED ESTIMATE | (2) Actual | (3) (2)-(1) DIFFERENCE | (4) TWO MONTHS ACTUAL PLUS FOUR MONTHS REVISED ESTIMATE | (5) (3)+(4) TOTAL TRUE-UP | |
| | E-2, LINE 6 197,908 TOTAL COL | 175,445 A-2, MARCH, LINE6 | (22,463) | 232,449 | | |
| | | (1,054) A-2, MARCH, LINE 7 | (9,214) | (4,094 | : ; ; ; ; ; | |
| 3 INTEREST PROVISION FOR THIS PERIOD | E-2, LINE 8 461 | 344 A-2, MARCH, LINE8 | (117 |] (527 |] (644) | |
| | LINE 2 + 8,621 LINE 3 | (710 | (9,331 | j (4,621 | (13,952) | |
| NOTE: EIGHT MONTHS ACTUAL F | OUR MONTHS REVISED EST | MATE DATA OBTAIN | IED FROM SCHEDUI | LE (E-2). | | |
| COLUMN (1) DATA OBTAINED FROM SO COLUMN (2) DATA OBTAINED FROM SO UNE 4 COLUMN (3) SAME AS LINE 7 SCH | TOTAL TRUE UP, (\$13,952)/PROJECTED THERM SALES OF 650,662 EQUALS \$.02144 (2.1443 CENTS) PER THERM TRUE UP COLLECTED. | | | | | |
| UNE 2 COLUMN (4) SAME AS LINE 7 SCH LINE 3 COLUMN (4) SAME AS LINE 8 SCH | | <u> </u> | | TRUE UP (\$13.95) THERMS 650,66 COLLECT/THERM (\$0.02144 | 2 | |

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EXHIBIT Docket No. 98(RM)3-GU Sebring Gas System, Inc. Exhibit No. Page 5 of 6

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