

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 1, 2018

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20180004-GU
Company Name: Sebring Gas System
Company Code: GU617
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2018-016-1-4

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 are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

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 Clause

Twelve Months Ended December 31, 2017

Docket No. 20180004-GU
Audit Control No. 2018-016-1-4

May 4, 2018

A handwritten signature in black ink that reads "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink that reads "Marisa N. Glover".

Marisa N. Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated January 16, 2018. 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 2017 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20180004-GU.

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

Objectives and Procedures

General

Definition

Utility refers to the Sebring Gas System, Inc..

GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We computed the revenues using the factors in Order No. PSC-2016-0533-FOF-GU issued November 22, 2016, and actual therm sales, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills for the months of February, May, and October. We recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's GCCR filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct amount, and appropriately recoverable through the GCCR. We traced cash incentive payments to allowances approved in Order No. PSC-10-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-2014-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule C-T was properly calculated.

Procedures: We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 GCCR revenues and costs. Finding 1 discusses our recommended adjustment to true-up and interest provision.

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 2016 to 2017 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

Finding 1: True-up

Audit Analysis: Due to a calculation error, the Utility reported the monthly net true-up in March 2017 to be \$12,703 on its Schedule CT-3 which was filed April 27, 2018. The correct monthly net true-up for March should be \$18,421. This caused the total net true-up to be incorrect in the remaining months as well as the final net true-up for the year. In addition, on line 5 of Schedule CT-3, the filing incorrectly states that the prior period true-up not applicable to this period to be \$19,299, instead of \$19,761.

Audit staff calculated the total net true-up for the year to be \$13,842 which includes the audit calculated interest provision for 2017 of \$142. The Utility's Schedule CT-3 reflects a total net true-up of \$11,094 which includes their calculation of interest provision for the year to be \$125. The Utility was informed of these differences and intends to revise its filing at a later date.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined the total true-up to be an under-recovery of \$13,842 and the interest provision to be \$142. An adjustment of \$2,748 should be made to increase true-up and an adjustment of \$17 to increase interest provision for 2017.

Exhibits

Exhibit 1: True-Up

SCHEDULE CT-3 PAGE 2 OF 3													Company: Sebring Gas System, Inc. Docket No. 20180004-GU Exhibit JHM-1 Page 6 of 18
Energy conservation Adjustment Calculation of True-Up and Interest Provision													
For Months: January 2017 through December 2017													
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 PSC REG ASSESS FEE	(\$23)	(\$21)	(\$23)	(\$19)	(\$19)	(\$17)	(\$17)	(\$18)	(\$22)	(\$19)	(\$20)	(\$21)	(\$239)
3 CONSERV. ADJ. REVS	<u>(\$4,690)</u>	<u>(\$4,213)</u>	<u>(\$4,567)</u>	<u>(\$3,760)</u>	<u>(\$3,879)</u>	<u>(\$3,482)</u>	<u>(\$3,338)</u>	<u>(\$3,612)</u>	<u>(\$4,390)</u>	<u>(\$3,890)</u>	<u>(\$4,076)</u>	<u>(\$4,159)</u>	<u>(\$48,056)</u>
4 TOTAL REVENUES	(\$4,713)	(\$4,234)	(\$4,590)	(\$3,779)	(\$3,898)	(\$3,499)	(\$3,355)	(\$3,630)	(\$4,412)	(\$3,909)	(\$4,096)	(\$4,180)	(\$48,295)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,609</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,609</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,609</u>	<u>\$19,799</u>
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	<u>(\$3,105)</u>	<u>(\$2,626)</u>	<u>(\$2,982)</u>	<u>(\$2,170)</u>	<u>(\$2,290)</u>	<u>(\$1,891)</u>	<u>(\$1,747)</u>	<u>(\$2,021)</u>	<u>(\$2,804)</u>	<u>(\$2,301)</u>	<u>(\$2,488)</u>	<u>(\$2,571)</u>	<u>(\$28,996)</u>
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$7,180	\$927	\$4,052	\$4,599	\$1,428	\$3,556	\$1,974	\$918	\$4,120	\$2,517	\$2,148	\$8,823	\$42,242
8 TRUE-UP THIS PERIOD	\$4,075	(\$1,699)	\$1,070	\$2,429	(\$862)	\$1,665	\$227	(\$1,103)	\$1,316	\$216	(\$340)	\$6,252	<u>\$13,246</u>
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	\$13	\$12	\$13	\$13	\$10	\$10	\$12	\$10	\$7	\$7	\$7	\$11	\$125
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	\$19,761	\$22,241	\$18,946	\$12,703	\$13,542	\$14,054	\$14,121	\$12,752	\$10,050	\$9,765	\$8,381	\$6,440	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,609)</u>	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,609)</u>	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,608)</u>	<u>(\$1,609)</u>	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	22,241	18,946	12,703	13,542	14,054	14,121	12,752	10,050	9,765	8,381	6,440	11,094	11,094