

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 14, 2022

TO: Office of the Commission Clerk

FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RLH*

RE: Docket No.: 20220004-GU
Company Name: Sebring Gas System
Company Code: GU617
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2022-024-1-4

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 the Commission Clerk. There are no confidential work papers associated with this audit.

RLH/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

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, 2021

Docket No. 20220004-GU
Audit Control No. 2022-024-1-4
June 13, 2022

Handwritten signature of Ashley Sheffield in cursive script.

Ashley Sheffield
Audit Manager

Handwritten signature of Marisa N. Glover in cursive script.

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 24, 2022. 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 2021 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20220004-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to 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 of January 1, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-2020-0436-FOF-GU, issued November 16, 2020. We calculated actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills and 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) Expenses listed on schedule CT-3 of the Utility's GCCR filing are 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 for the current period, charged to the correct accounts, and appropriately related to the GCCR. We traced cash incentive payments to allowances approved in Order No. PSC-2010-0551-PAA-EG, issued September 2, 2010, Order No. PSC-2014-0039-PAA-EG, issued January 14, 2014, and in Order No. PSC-2019-0499-FOF-GU, issued November 22, 2019. Advertising expenses were reviewed for compliance with Rule 25-17.015, 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 CT-3 was properly calculated.

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 GCCR revenues and costs. The Utility used the incorrect Financial Commercial Paper rate for the month of December. See Finding 1 for an explanation of the variance.

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 2021 to 2020 revenues and expenses. Audit staff determined there was a 88.52% increase in outside services and a 37.11% decrease in incentives, respectively, between 2020 and 2021. The 88.52% increase in outside services was due primarily to the Utility not receiving invoices for the months of June, July, September, and October 2020, but receiving invoices for these months in 2021, resulting in an increase in outside services. The 37.11% decrease in incentives was due to the reduction in incentives given in 2021, as compared to 2020. No further work was performed.

Audit Findings

Finding 1: True-Up and Interest Provision

Audit Analysis: Audit staff recalculated the gas conservation cost recovery true-up and interest provision. We noted that the Utility used the incorrect commercial paper rate for December 2021 on their 2021 filing. The Utility used 0.8% for the interest rate for the first date of the subsequent month, instead of the correct rate of .08%. This caused the interest provision to be calculated as \$9 for December 2021 instead of the correct amount, which would be \$2. Audit staff calculated a variance of \$11.69 for the total interest provision for 2021. If the Utility had used the correct commercial paper rate, the total interest provision variance would be \$4.69 and this amount would be deemed immaterial.

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

Effect on the Filing: Audit staff determined the interest provision to be \$2 for the month of December 2021. An adjustment of \$7 should be made to decrease the interest provision for December 2021.

Exhibit

Exhibit 1: True Up

SCHEDULE CT-3 PAGE 2 OF 3	Company: Sebring Gas System, Inc. Docket No. 20220004-GU Exhibit JHM-1 Page 6 of 18												
Energy conservation Adjustment Calculation of True-Up and Interest Provision													
FOR MONTHS: JANUARY 2021 THROUGH DECEMBER 2021													
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	\$13	\$12	\$13	\$11	\$10	\$11	\$10	\$11	\$10	\$10	\$13	\$12	\$133
3 CONSERV. ADJ. REVS	(\$2,450)	(\$2,355)	(\$2,556)	(\$2,197)	(\$1,981)	(\$2,115)	(\$1,933)	(\$2,107)	(\$1,958)	(\$1,979)	(\$2,369)	(\$2,334)	(\$26,335)
4 TOTAL REVENUES	(\$2,437)	(\$2,343)	(\$2,543)	(\$2,186)	(\$1,971)	(\$2,105)	(\$1,924)	(\$2,097)	(\$1,948)	(\$1,969)	(\$2,357)	(\$2,322)	(\$26,202)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$11,043
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	(\$1,517)	(\$1,423)	(\$1,623)	(\$1,265)	(\$1,051)	(\$1,185)	(\$1,003)	(\$1,176)	(\$1,028)	(\$1,049)	(\$1,436)	(\$1,402)	(\$15,159)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$1,023	\$1,017	\$14,390	\$1,015	\$1,203	\$4,242	\$1,652	\$4,323	\$2,442	\$1,883	\$1,038	\$6,184	\$40,413
8 TRUE-UP THIS PERIOD	(\$494)	(\$406)	\$12,767	(\$250)	\$152	\$3,057	\$649	\$3,147	\$1,414	\$834	(\$398)	\$4,782	\$25,254
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	\$1	\$1	\$1	\$2	\$0	\$2	\$2	\$2	\$2	\$2	\$2	\$9	\$27
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	\$11,043	\$9,630	\$8,304	\$20,153	\$18,985	\$18,216	\$20,355	\$20,086	\$22,315	\$22,811	\$22,727	\$21,410	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	(\$920)	
TOTAL NET TRUE-UP 12 (SUM LINES 8+9+10+11)	\$9,630	\$8,304	\$20,153	\$18,985	\$18,216	\$20,355	\$20,086	\$22,315	\$22,811	\$22,727	\$21,410	\$25,282	\$25,282