

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, 2013

Docket No. 140004-GU
Audit Control No. 14-017-1-2

June 2, 2014

A handwritten signature in black ink, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, reading "Lynn M. Deamer", written over a horizontal line.

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 Economics in its audit service request dated January 14, 2014. 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 2013 filing for the Gas Conservation Cost Recovery in Docket No. 140004-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 the Sebring Gas System, Inc.
GCCR refers to the Gas Conservation Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therm sales for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved gas conservation cost recovery factor to actual KWH sales.

Procedures: We traced the 2013 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, July, and December 2013 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

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

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample O&M expenses for testing. The source documentation for selected items was reviewed to ensure the expenses were for the current period, charged to the correct account and appropriately recoverable through the GCCR clause. We tested all advertising expenses to ensure that the expenses complied 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 whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Non-Financial Commercial Paper rates, and the 2013 GCCR 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 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

SCHEDULE CT-3													Company: Sebring Gas System, Inc.
PAGE 2 OF 3													Docket No. 140004-GU
													Exhibit JHM-1
													Page 6 of 15
Energy conservation Adjustment Calculation of True-Up and Interest Provision													
For Months: January 2013 through December 2013													
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>(\$3,311)</u>	<u>(\$3,126)</u>	<u>(\$3,260)</u>	<u>(\$2,974)</u>	<u>(\$2,847)</u>	<u>(\$2,210)</u>	<u>(\$2,541)</u>	<u>(\$2,253)</u>	<u>(\$2,414)</u>	<u>(\$2,729)</u>	<u>(\$2,660)</u>	<u>(\$3,152)</u>	<u>(\$33,476)</u>
4 TOTAL REVENUES	<u>(\$3,311)</u>	<u>(\$3,126)</u>	<u>(\$3,260)</u>	<u>(\$2,974)</u>	<u>(\$2,847)</u>	<u>(\$2,210)</u>	<u>(\$2,541)</u>	<u>(\$2,253)</u>	<u>(\$2,414)</u>	<u>(\$2,729)</u>	<u>(\$2,660)</u>	<u>(\$3,152)</u>	<u>(\$33,476)</u>
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$2,142)</u>	<u>(\$25,707)</u>
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	<u>(\$5,453)</u>	<u>(\$5,268)</u>	<u>(\$5,403)</u>	<u>(\$5,116)</u>	<u>(\$4,989)</u>	<u>(\$4,352)</u>	<u>(\$4,683)</u>	<u>(\$4,395)</u>	<u>(\$4,556)</u>	<u>(\$4,871)</u>	<u>(\$4,802)</u>	<u>(\$5,294)</u>	<u>(\$59,182)</u>
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$1,137	\$1,428	\$1,128	\$2,935	\$1,358	\$2,648	\$1,301	\$3,339	\$3,594	\$3,423	\$11,437	\$20,240	\$53,968
8 TRUE-UP THIS PERIOD	<u>(\$4,316)</u>	<u>(\$3,841)</u>	<u>(\$4,275)</u>	<u>(\$2,181)</u>	<u>(\$3,631)</u>	<u>(\$1,704)</u>	<u>(\$3,382)</u>	<u>(\$1,057)</u>	<u>(\$962)</u>	<u>(\$1,448)</u>	<u>\$6,635</u>	<u>\$14,946</u>	<u>(\$5,215)</u>
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	<u>(\$3)</u>	<u>(\$3)</u>	<u>(\$3)</u>	<u>(\$2)</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>(\$23)</u>
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	<u>(\$25,707)</u>	<u>(\$27,884)</u>	<u>(\$29,586)</u>	<u>(\$31,721)</u>	<u>(\$31,763)</u>	<u>(\$33,254)</u>	<u>(\$32,817)</u>	<u>(\$34,058)</u>	<u>(\$32,974)</u>	<u>(\$31,795)</u>	<u>(\$31,101)</u>	<u>(\$22,325)</u>	
11 PRIOR TRUE-UP COLLECTED (REFUNDED)	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	<u>\$2,142</u>	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	<u>(27,884)</u>	<u>(29,586)</u>	<u>(31,721)</u>	<u>(31,763)</u>	<u>(33,254)</u>	<u>(32,817)</u>	<u>(34,058)</u>	<u>(32,974)</u>	<u>(31,795)</u>	<u>(31,101)</u>	<u>(22,325)</u>	<u>(5,238)</u>	<u>(5,238)</u>