

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-**

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**DATE:** May 26, 2015  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 150004-GU  
Company Name: Sebring Gas Systems, Inc.  
Company Code: GU617  
Audit Purpose: Natural Gas Conservation Cost Recovery Clause  
Audit Control No: 15-012-1-1

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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 is no confidential work papers associated with this audit.

LMD/cp

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, 2014**

Docket No. 150004-GU  
Audit Control No. 15-012-1-1  
**May 15, 2015**

A handwritten signature in black ink, appearing to read "Debra M. Dobiac".

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Debra M. Dobiac  
Audit Manager

A handwritten signature in black ink, appearing to read "Lynn M. Deamer".

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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 15, 2015. 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 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-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 Clause.

### **Revenue**

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2014, through December 31, 2014, 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-13-0613-FOF-GU, issued November 20, 2013, 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 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) 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 account, and appropriately recoverable through the GCCR clause. 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-14-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administration 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial

Commercial Paper rates, and the 2014 GCCR filing 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 2014 to 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True-Up

| SCHEDULE CT-3<br>PAGE 2 OF 3   | 2014      |           |           |           |           |           |           |           |           |           |           |           | Company: Sebring Gas System, Inc.<br>Docket No. 150004-GU<br>Exhibit JHM-1<br>Page 6 of 18 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| Energy conservation Adjustment Calculation of True-Up and Interest Provision |           |           |           |           |           |           |           |           |           |           |           |           |  |
| For Months: January 2014 through December 2014                               |           |           |           |           |           |           |           |           |           |           |           |           |  |
| Conservation Revenues  | JAN       | FEB       | MAR       | APR       | MAY       | JUN       | JUL       | AUG       | SEP       | OCT       | NOV       | DEC       | TOTAL  |
| 1 RCS AUDIT FEE  | \$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   | (\$4,070) | (\$3,334) | (\$3,500) | (\$3,125) | (\$2,912) | (\$2,839) | (\$2,805) | (\$2,599) | (\$2,802) | (\$2,886) | (\$2,979) | (\$3,830) | (\$37,681)   |
| 4 TOTAL REVENUES   | (\$4,070) | (\$3,334) | (\$3,500) | (\$3,125) | (\$2,912) | (\$2,839) | (\$2,805) | (\$2,599) | (\$2,802) | (\$2,886) | (\$2,979) | (\$3,830) | (\$37,681)   |
| 5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD                         | (\$437)   | (\$437)   | (\$437)   | (\$437)   | (\$437)   | (\$437)   | (\$436)   | (\$436)   | (\$436)   | (\$436)   | (\$436)   | (\$436)   | (\$5,238)  |
| 6 CONSERVATION REVS APPLICABLE TO THIS PERIOD                                | (\$4,507) | (\$3,771) | (\$3,937) | (\$3,562) | (\$3,349) | (\$3,276) | (\$3,241) | (\$3,035) | (\$3,238) | (\$3,322) | (\$3,415) | (\$4,266) | (\$42,919)   |
| 7 CONSERVATION EXPS (FROM CT-3, PAGE 1)                                      | \$1,639   | \$7,632   | \$6,295   | \$9,199   | \$4,018   | \$5,485   | \$2,990   | \$1,347   | \$4,441   | \$1,916   | \$1,515   | \$11,906  | \$58,383   |
| 8 TRUE-UP THIS PERIOD  | (\$2,868) | \$3,861   | \$2,358   | \$5,637   | \$669     | \$2,209   | (\$251)   | (\$1,688) | \$1,203   | (\$1,406) | (\$1,900) | \$7,640   | \$15,464   |
| 9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)                                 | (\$0.22)  | (\$0.23)  | (\$0.09)  | \$0.11    | \$0.25    | \$0.36    | \$0.51    | \$0.48    | \$0.38    | \$0.39    | \$0.44    | (\$0.27)  | \$2  |
| 10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.                                  | (\$5,238) | (\$7,669) | (\$3,371) | (\$577)   | \$5,498   | \$6,604   | \$9,250   | \$9,436   | \$8,184   | \$9,824   | \$8,854   | \$7,390   |  |
| 11 PRIOR TRUE-UP COLLECTED (NOT FUNDED)                                      | \$437     | \$437     | \$437     | \$437     | \$437     | \$437     | \$436     | \$436     | \$436     | \$436     | \$436     | \$436     |  |
| <b>TOTAL NET TRUE-UP</b>   |           |           |           |           |           |           |           |           |           |           |           |           |  |
| 12 (SUM LINES 8+9+10+11)   | (7,669)   | (3,371)   | (577)     | 5,498     | 6,604     | 9,250     | 9,436     | 8,184     | 9,824     | 8,854     | 7,390     | 15,466    | 15,466   |