

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: September 20, 2019

TO: Office of Commission Clerk

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

RE: Docket No.: 20190083-GU
Company Name: Sebring Gas System, Inc.
Company Code: GU617
Audit Purpose: A1f: File & Suspend Rate Case (PAA)
Audit Control No.: 2019-170-1-1

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

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.
File and Suspend Rate Case

Twelve Months Ended December 31, 2018

Docket No. 20190083-GU
Audit Control No. 2019-170-1-1
September 17, 2019

A handwritten signature in blue ink, appearing to read "M. Glover".

Marisa N. Glover
Audit Manager

A handwritten signature in black ink, appearing to read "T. Wolff".

Thomas Wolff
Audit Staff

A handwritten signature in black ink, appearing to read "Gabriela M. Leon".

Gabriela M. Leon
Audit Staff

A handwritten signature in black ink, appearing to read "Yen N. Ngo".

Yen N. Ngo
Audit Staff

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

Debra Dobiac
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 Accounting and Finance in its audit service request dated June 19, 2019. We have applied these procedures to the attached schedules prepared by Sebring Gas Company, Inc. in support of its filing for rate relief in Docket No. 20190083-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Sebring/Utility refers to Sebring Gas Company, Inc.

USOA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-7.014 – Records and Reports in General, Florida Administrative Code. (F.A.C.)

Test year refers to twelve months ended December 31, 2018.

Test year +1 refers to January 1, 2019 to December 31, 2019.

Projected test year refers to January 1, 2020 to December 31, 2020.

Background

Sebring has provided natural gas utility service to its customers since 1991 and now serves more than 622 natural gas customers across three counties in Florida.

The Utility's last historic rate base was established as of December 20, 2004, in Docket No. 20040270-GU, by Order No. PSC-2004-1260-PAA-GU.

Objectives: The objective in this proceeding is to determine that rate base, net operating income and capital structure for the historical test year ended December 31, 2018 are representative, and in conformity with current Commission policy for purposes of calculating revenue requirements.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission rules, 3) Retirements are made when a replacement item is put into service, 4) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records, and 5) To determine the test year ending balance and 13 month average.

Procedures: We recalculated the Utility's UPIS annual activities from 2005 through 2018, reconciled to the general ledger, and traced the 2004 ending balance to Order No. PSC-2004-1260-PAA-GU. We also recalculated the year end and 13-month average. We randomly tested the UPIS additions from 2005 through 2018 and removed the additions that the Utility did not provide the requested supporting documentation as of September 17, 2019. Finding 1 discusses UPIS.

We reviewed the Utility's test year +1 UPIS ending balances schedule, and traced the additions to the testimony and, where applicable, to the Orders issued in Dockets 20130079-GU and

20130130-GU. These two Dockets concerned the Sebring's investment in infrastructure (and the contracts entered into) to provide service to Hardee Correctional Institution and DeSoto Correctional Institution. We recalculated the amortization and depreciation expenses applying the approved depreciation rates from Order No. PSC-2016-0574-PAA-GU.

We reviewed the Utility's 2020 UPIS ending balance schedule, and traced the construction of the distribution system in the City of Wachula and the City of Arcadia to the Utility's testimony. We recalculated the amortization and depreciation expenses applying the approved depreciation rates from Order No. PSC-2016-0574-PAA-GU. The Utility's ending balance as of December 2019 on Schedule G-1 pg 13 was carried over incorrectly on Schedule G-1 pg 14 for January 2020, the amortization was \$4,803 more than the audit staff's recalculation. We did not adjust this amount since it was a proforma.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as construction work in progress (CWIP), and whether projects that are eligible to accrue allowance for funds used during construction (AFUDC) are excluded from rate base pursuant to Commission Rule 25-7.0141, F.A.C. – Allowance for Funds Used During Construction, CWIP balances are properly stated, and to recalculate the 13-month average balance for CWIP for the test year.

Procedures: We obtained the Utility's CWIP filing schedule, reconciled to the general ledger, recalculated the 13-month average, and traced the charges to the supporting documentation. The Utility did not have any AFUDC.

Accumulated Depreciation

Objectives: The objectives were to determine whether accruals, retirements and adjustments to accumulated depreciation (AD) are properly recorded in compliance with the USOA, to determine whether the Utility used the depreciation rates established in the following Order PSC-2016-0574-PAA-GU. The objectives are also to determine whether the balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-1260-PAA-GU, and to recalculate the year-end and 13-month average balance for AD.

Procedures: We recalculated the AD from 2005 through 2018, reconciled to the general ledger, and traced all the adjustments from 2005 through the 2011 to the depreciation study Order No. PSC-2007-0482-PAA-GU and Order No. PSC-2012-0043-PAA-GU. We also recalculated the year-end and the 13-month average. This AD testing is the UPIS times the rate. However, we were unable to perform the sample testing of the AD adjustments from 2012 through 2018 since the Utility did not provide the requested supporting documentation as of September 17, 2019. Finding 1 discusses Accumulated Depreciation.

Working Capital

Objectives: The objectives were to determine whether the working capital (WC) account balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-1260-PAA-GU, and to recalculate the year end and 13-month average balance for WC.

Procedures: We verified, based on a judgmental sample of selected accounts, that the WC balance is properly stated, utility in nature, non-interest bearing, does not include non-utility items, and is consistent with the order cited above. We verified, based on a judgmental sample of selected accounts, that the accumulated provision accounts year end balances comply with the Commission rules. We recalculated the year-end balance and a sample of 13-month average balances for selected WC accounts included in the filing. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether: 1) Utility charges were those approved by the Commission in the Utility's current authorized tariff, and 2) Revenue earned from utility property during the test year was recorded and properly classified in compliance with Commission rules.

Procedures: We reconciled 2018 revenues to the general ledger. We recalculated a sample of customer bills to ensure that the Utility was using the rates authorized in its approved tariffs. We verified there were not any unbilled revenues. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether 2018 operation and maintenance (O&M) expenses are properly recorded in compliance with the USOA, the O&M expenses are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-1260-PAA-GU, and were reasonable for ongoing utility operations.

Procedures: We traced the operating and maintenance expense balances from the filing to the general ledger. We verified, based on a judgmental sample of utility transactions for select O&M expense accounts, that 2018 O&M expense balances are adequately supported by source documentation, utility in nature, and are recorded consistent with the USOA. We traced the O&M Expense adjustments to source documents and noted that they were consistent with the order cited above. Finding 2 discusses operating and maintenance expense.

Depreciation Expense

Objectives: The objectives were to determine whether 2018 depreciation expense is properly recorded in compliance with the USOA and based on Commission adjustments in the prior rate case in Order No. PSC-2004-1260-PAA-GU, and to determine that depreciation expense accruals are calculated using the depreciation rates established in Order No. PSC-2016-0574-PAA-GU.

Procedures: We recalculated the 2018 depreciation expenses by applying the current approved depreciation rates and reconciled to the general ledger. Finding 1 discusses Depreciation Expense.

Taxes Other than Income

Objectives: The objectives were to determine whether Taxes Other Than Income (TOTI) expenses are: 1) properly recorded in compliance with Commission Rules, 2) Reasonable for ongoing utility operations, and 3) Recorded in compliance with the USOA, and 4) Reflect the Commission adjustments in the prior rate case in Order No. PSC-2004-1260-PAA-GU.

Procedures: We verified, based on a judgmental sample of transactions for select TOTI accounts, that TOTI expenses are adequately supported by source documentation. We traced the TOTI adjustments to source documents and noted that they were consistent with the order cited above. Finding 3 discusses TOTI.

Income Taxes

Objectives: The objective was to reconcile the federal and state income taxes to the MFRs and the general ledger, and to determine whether deferred income tax expense and the deferred tax balances include proper bonus depreciation treatment of property additions.

Procedures: Audit staff traced the Utility's net operating income reflected in the MFRs to the general ledger. We reviewed the Utility's federal income tax that reconciles the MFR amounts for the taxable income per books, the temporary and permanent differences, and the deferred income tax balances to the tax returns. We traced selected items to the 2018 tax return. No exceptions were noted and no further work was performed.

Capital Structure

Objectives: The objectives were to determine whether the non-utility assets supported by the Utility's capital structure were removed in the rate base/capital structure reconciliation, the cost rates used in the computation of the cost of capital are appropriate, the rate base adjustments were adjusted in the capital structure, and to reconcile the Utility book amounts to the MFRs and the general ledger.

Procedures: Audit staff reconciled the cost of capital cost rates for the historical base year to the debt documentation. We obtained a reconciliation of the adjustments to the capital structure and traced these to the MFRs and the general ledger. No exceptions were noted.

Other

Accumulated Deferred Income Taxes

Objectives: The objective was to determine whether Accumulated Deferred Income Taxes (ADIT) as noted per the Utility's rate case filing is representative of the Utility's books and records.

Procedures: We reviewed the Utility's MFR B-18 schedule and reconciled it to the general ledger. We reviewed the Utility's 2018 tax returns, and reconciled selected items to Utility support. We also reviewed Utility provided support and reconciled the documentation to the general ledger. No exceptions were noted.

Analytical Review

Objectives: The objectives were to determine whether any regulated plant in service, revenues and O&M account balances contained any information that could be deemed unusual, and to assist in assessing risk.

Procedures: Audit staff performed a cost comparison for rate base components and O&M expenses by account from 2014 to 2018 in order to compare percentage increases between the Utility's last rate case in Docket No. 20040270-GU and its current filing. We did not find any significant variances. No exceptions were noted.

Internal and External Audits

Objectives: The objective was to determine whether there were any exceptions and disclosures noted in any internal or external audits applicable to this current rate proceeding.

Procedures: We asked if the Utility had any internal or external audits for the historical test year ended December 31, 2018. There were none.

Board of Director Meetings

Objectives: The objective was to review the minutes of the Board of Directors.

Procedures: We reviewed the BOD meeting and Committee meeting minutes from February 2013 through March 2019 for activities or issues that could affect the Utility in the current rate case proceeding. No exceptions were noted.

Audit Findings

Finding 1: Utility Plant in Service and Accumulated Depreciation

Audit Analysis: We recalculated the annual activities of the Utility Plant-in-Service (UPIS) from 2005 through 2018, reconciled to the general ledger, and randomly selected plant additions for sample testing. We requested the Utility to provide the invoices, contracts, customer agreement, and other supporting documentation for the selected sample items. As the result of unsupported documentation, some of the sample items were removed from the plant additions, which reduced the UPIS by (\$52,421). Audit staff also recalculated the 2018 Depreciation Expense (DE) with the deduction of the adjusted plant additions. Below are the recalculation of UPIS for year ended 2018 and the 13-month average, and 2018 DE. See Table 1-1 for UPIS, Table 1-2 for Accumulated Depreciation, and Table 1-3 for Depreciation Expense.

Table 1-1

UPIS TYE 2018

Account - Description	Utility		Audit	Audit	
	13-Month	Average		Audit Balance	13-Month
	12/31/2018	Average	Adjustments	12/31/2018	Average
301-Organization	\$ 127,409	\$ 127,409		\$ 127,409	\$ 127,409
302-Intangible	4,000	4,000		\$ 4,000	\$ 4,000
374-Land and Land Rights	22,625	22,625		\$ 22,625	\$ 22,625
376.0- Mains - Steel	187,703	187,703		\$ 187,703	\$ 187,703
376.1-Mains - Plastic	2,584,727	2,551,718	1,485	\$ 2,586,212	\$ 2,553,203
378-M&R Station Equipment - General	18,003	18,003		\$ 18,003	\$ 18,003
379-M&R Station Equipment - Gate	1,234,110	1,234,110		\$ 1,234,110	\$ 1,234,110
380.0-Services - Steel	350,793	350,957		\$ 350,793	\$ 350,957
380.1-Services - Plastic	853,915	810,550	(2,364)	\$ 851,551	\$ 808,186
381-Meters	290,984	290,190		\$ 290,984	\$ 290,190
382-Meter installations	172,970	159,125		\$ 172,970	\$ 159,125
383-Regulators	32,227	32,227		\$ 32,227	\$ 32,227
384-Regulator Installations	77,195	74,324		\$ 77,195	\$ 74,324
386-Customer Converstion Cost	35,310	35,310		\$ 35,310	\$ 35,310
387-Other Equipment	23,209	23,209		\$ 23,209	\$ 23,209
390-Structure and Improvements	13,278	13,278		\$ 13,278	\$ 13,278
391.0-Office Furniture	2,836	2,836		\$ 2,836	\$ 2,836
391.1-Office Equipment	32,665	31,503		\$ 32,665	\$ 31,503
392-Transportation Equip - Light Truck	260,619	224,269	(46,833)	\$ 213,786	\$ 177,436
394-Tools/Shop/Garage Equipment	19,297	16,576		\$ 19,297	\$ 16,576
397-Power Operated Equipment	30,902	30,902		\$ 30,902	\$ 30,902
397-Communication Equipment	38,692	33,529	(4,708)	\$ 33,984	\$ 28,821
Total:	\$ 6,413,469	\$ 6,274,353	\$ (52,421)	\$ 6,361,048	\$ 6,221,932

We recalculated the Utility's accumulated depreciation accruals from 2005 through 2018, reconciled to the general ledger, randomly selected the utility adjustments reflected in the general ledger, and requested the supporting documentation for these adjustments. We were unable to determine whether these adjustments were appropriate because the supporting documentation was not provided as of September 17, 2019. We recalculated the 2018 year-end balance and 13-month average with the exclusion of the total adjustments of (\$44,501).

Table 1-2

ACC DEP TYE 2005 THROUGH 2018

Account - Description	Utility			Audit	
	12/31/2018	13-Month	Adjusted AD	Audit Balance 12/31/2018	13-Month
		Average			Average
301.0- Organizational Costs	\$ 108,602	\$ 106,202		\$ 108,602	\$ 106,202
376.0- Mains - Steel	174,362	171,641	2,357	176,719	173,998
376.1-Mains - Plastic	883,893	846,713	2,815	886,708	849,528
378-M&R Station Equipment - General	9,711	9,432		9,711	9,432
379-M&R Station Equipment - Gate	247,595	227,849		247,595	227,849
380.0-Services - Steel	420,726	418,971	(1,313)	419,413	417,658
380.1-Services - Plastic	254,582	241,390	(11,771)	242,811	229,619
381-Meters	198,167	192,642	(3,920)	194,247	188,722
382-Meter Installations	59,670	57,125		59,670	57,125
383-Regulators	27,205	26,705		27,205	26,705
384-Regulator Installations	41,577	40,455		41,577	40,455
386-Customer Conversion Cost	31,650	31,244		31,650	31,244
387-Other Equipment	9,203	8,739		9,203	8,739
390-Structure and Improvements	3,300	3,134		3,300	3,134
391.0-Office Furniture	681	624		681	624
391.1-Office Equipment	28,790	28,095		28,790	28,095
392-Transportation Equip - Light Trucks	152,847	142,618	(61,552)	91,295	81,066
394-Tools/Shop/Garage Equipment	12,867	12,304	2,972	15,839	15,276
397-Power Operated Equipment	22,836	21,925	(3,142)	19,694	18,783
397-Communication Equipment	7,468	6,509		7,468	6,509
Total:	\$ 2,695,732	\$ 2,594,317	\$ (73,553)	\$ 2,622,179	\$ 2,414,562

Table 1-3**DEPRECIATION EXPENSES 2018**

Account - Description	Utility	Audit	Audit Balance
	12/31/2018	Adjustments	12/31/2018
301-Organization costs	\$ 4,800	\$ -	\$ 4,800
376.0- Mains - Steel	\$ 5,443		\$ 5,443
376.1-Mains - Plastic	74,945	43	\$ 74,988
378-M&R Station Equipment - General	558		\$ 558
379-M&R Station Equipment - Gate	39,492		\$ 39,492
380.0-Services - Steel	3,510		\$ 3,510
380.1-Services - Plastic	25,944	(76)	\$ 25,868
381-Meters	11,030		\$ 11,030
382-Meter Installations	4,932		\$ 4,932
383-Regulators	999		\$ 999
384-Regulator Installations	2,230		\$ 2,230
386-Customer Conversion Cost	812		\$ 812
387-Other Equipment	928		\$ 928
390-Structure and Improvements	332		\$ 332
391.0-Office Furniture	113		\$ 113
391.1-Office Equipment	1,384		\$ 1,384
392-Transportation Equip - Light Truck	20,100	(4,215)	\$ 15,885
394-Tools/Shop/Garage Equipment	1,105		\$ 1,105
397-Power Operated Equipment	1,823		\$ 1,823
397-Communication Equipment	1,874	(278)	\$ 1,596
Total:	\$ 202,354	\$ (4,526)	\$ 197,828

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

Effect on the Filing: Audit staff determined the 2018 year-end and 13-month average balances for UPIS to be \$6,361,048 and \$6,221,932. We determined the 2018 Depreciation Expense to be \$197,828. We determined the year-end and 13-month average balances for accumulated depreciation to be \$2,622,179 and \$2,414,562.

Finding 2: Operations and Maintenance Expense

Audit Analysis: In MFR Schedule C-5, the Utility had a total amount of \$551,665. In the MFR Schedule C-2, the Utility made adjustments to decrease Conservation Expenses by \$48,049, Office Supplies by \$149, and increase Miscellaneous General Expenses by \$245. The adjustments were to remove Conservation Expenses, Lobbying Expenses, and Out of Period Adjustments. In MFR Schedule C-1, the Utility has the adjusted balance as \$503,713. Table 2-1 shows audit staffs adjustments.

Table 2-1

Account	Description	Balance per		Balance per		Balance per	
		MFR, Schedule C-5	MFR Adj Schedule C-2	MFR, Schedule C-1	Audit Adj	Audit 12/31/2018	
870	Supervision and Engineering	\$ 13,828	\$ -	\$ 13,828	\$ -	\$ 13,828	
874	Mains & Services Expenses	\$ 33,797	\$ -	\$ 33,797	\$ -	\$ 33,796	
878	Meter & House Reg Expense	\$ 6,941	\$ -	\$ 6,941	\$ -	\$ 6,941	
879	Customer Installations	\$ 24,692	\$ -	\$ 24,692	\$ -	\$ 24,693	
880	Other Expenses	\$ 8,893	\$ -	\$ 8,893	\$ -	\$ 8,892	
885	Supervision and Engineering	\$ 1,937	\$ -	\$ 1,937	\$ -	\$ 1,939	
887	Maintenance Of Mains	\$ 11,790	\$ -	\$ 11,790	\$ -	\$ 11,788	
891	MTCE of Meas & Reg Gate Station	\$ 8,232	\$ -	\$ 8,232	\$ -	\$ 8,233	
892	Maintenance of Services	\$ 2,431	\$ -	\$ 2,431	\$ -	\$ 2,431	
893	MTCE of Meters & House Regulator	\$ 9,385	\$ -	\$ 9,385	\$ -	\$ 9,384	
894	MTCE of Other Equipment	\$ 6,196	\$ -	\$ 6,196	\$ -	\$ 6,195	
902	Meter Reading Expense	\$ 5,096	\$ -	\$ 5,096	\$ 360	\$ 5,456	
903	Cus Records & Collection	\$ 1,619	\$ -	\$ 1,619	\$ -	\$ 1,618	
904	Uncollectible Account	\$ 522	\$ -	\$ 522	\$ -	\$ 522	
908	Conservation Expense	\$ 48,049	\$ (48,049)	\$ -	\$ -	\$ -	
920	Admin & Gen Salaries	\$ 215,806	\$ -	\$ 215,806	\$ (1,767)	\$ 214,039	
921	Office Supplies & Exp	\$ 29,306	\$ (149)	\$ 29,157	\$ (1,541)	\$ 27,616	
922	Admin Exp Trans (CR)	\$ (45,979)	\$ -	\$ (45,979)	\$ -	\$ (45,979)	
923	Outside Services Employed	\$ 33,566	\$ -	\$ 33,566	\$ -	\$ 33,566	
924	Property Insurance	\$ 26,631	\$ -	\$ 26,631	\$ -	\$ 26,635	
925	Injuries and Damages	\$ 40,543	\$ -	\$ 40,543	\$ -	\$ 40,544	
926	Employee Pension & Benefits	\$ 30,353	\$ -	\$ 30,353	\$ (394)	\$ 29,959	
930	Misc General Expense	\$ (245)	\$ 245	\$ -	\$ -	\$ -	
931	Rents	\$ 16,126	\$ -	\$ 16,126	\$ -	\$ 16,125	
933	Transportation Expense	\$ 22,150	\$ -	\$ 22,150	\$ -	\$ 22,152	
Total		\$ 551,665	\$ (47,953)	\$ 503,712	\$ (3,342)	\$ 500,371	

- Account 902- Meter Reading Expense: We are increasing by \$360 related to meter readings that were incorrectly posted to Account 920.
- Account 920-Administrative and General Salaries- We are decreasing this account by \$1,767. Audit staff removed \$360 related to meter readings and moved to Account 902. In addition, we removed \$1,409 of salaries as unsupported by timesheets. The Utility includes related payroll taxes in this account.

- Account 921-Office Salaries and Expenses- We are decreasing this account by \$1,541. The Utility recorded a credit card late payment fee of \$39, and a political donation of \$1,500 paid to the Florida Natural Gas Political Action Committee. The Utility includes related payroll taxes in this account.
- Account 926-Employee Pensions and Benefits- We decreased by \$394 for an out of period monthly payment, which was recorded in December 2018, but pertained to January 2019.

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

Effect on the Filing: Operation and Maintenance Expense should be decreased by \$3,342.

Finding 3: Taxes Other than Income

Audit Analysis: Audit staff reviewed the FPSC Regulatory Assessment Fee (RAF) forms filed by the utility and recalculated the RAF using the FPSC RAF rate. We also verified the tangible property taxes incurred by the utility for the historical test year. We found that the property tax expense did not reflect the maximum discount available. The maximum discount available was on November 30, 2018 and property taxes should be reduced by \$72. We reviewed the invoices provided by the Utility and found Sales Tax for 2018 was overstated by \$121. See Tables 3-1 for audit staff’s adjustments.

Table 3-1

Description	For the 12 Month Test Year Ended 12/31/2018		
	Per Utility MFR Schedule C-30 pg 2	Adjustments	Per Audit
Regulatory Assessment Fees (RAF)	\$ 4,855	\$ -	\$ 4,855
Tangible Tax	\$ 13,646	\$ (72)	\$ 13,574
Sales Tax	\$ 421	\$ (121)	\$ 300
Occupational Licenses	\$ 266	\$ -	\$ 266
Total	\$ 19,188	\$ (193)	\$ 19,000

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

Effect on the Filing: Tangible property taxes for 2018 should be reduced by \$72, and Sales tax by \$116.

Exhibits

Exhibit 1: Rate Base

SCHEDULE B-2	RATE BASE - 13-MONTH AVERAGE	PAGE 1 OF 1		
FLORIDA PUBLIC SERVICE COMMISSION COMPANY: SEBRING GAS SYSTEM, INC. DOCKET NO: 20190083-GU	EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE RATE BASE AS ADJUSTED FOR THE HISTORIC BASE YEAR.	TYPE OF DATA SHOWN: HISTORIC BASE YEAR DATA: 12/31/2018 WITNESS: J. MELENDY		
LINE NO	DESCRIPTION	AVERAGE PER BOOKS	ADJUSTMENT	ADJUSTED AVERAGE
<u>UTILITY PLANT IN SERVICE</u>				
1	GAS PLANT IN SERVICE	\$6,274,352	\$0	\$6,274,352
2	PLANT HELD FOR FUTURE USE	\$0	\$0	\$0
3	CWIP	\$19,733	\$0	\$19,733
4	GAS PLANT ACQ. ADJ.	\$0	\$0	\$0
5	GROSS UTILITY PLANT	<u>\$6,294,085</u>	<u>\$0</u>	<u>\$6,294,085</u>
<u>DEDUCTIONS</u>				
6	ACCUM. PROVISION FOR DEPR.	(\$2,594,318)	\$0	(\$2,594,318)
7	CUSTOMER ADVANCES FOR CONSTR	(\$6,897)	\$0	(\$6,897)
8	TOTAL DEDUCTIONS	<u>(\$2,601,215)</u>	<u>\$0</u>	<u>(\$2,601,215)</u>
9	NET UTILITY PLANT	<u>\$3,692,870</u>	<u>\$0</u>	<u>\$3,692,870</u>
<u>ALLOWANCE FOR WORKING CAPITAL</u>				
10	BALANCE SHEET METHOD	\$27,139	(\$3,507)	\$23,632
11	TOTAL RATE BASE	<u>\$3,720,009</u>	<u>(\$3,507)</u>	<u>\$3,716,502</u>
12	NET OPERATING INCOME	<u>\$244,974</u>	<u>\$5,092</u>	<u>\$250,066</u>
13	RATE OF RETURN	<u>6.59%</u>		<u>6.73%</u>

Exhibit 2: Net Operating Income

SCHEDULE C-1

NET OPERATING INCOME

PAGE 1 OF 1

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY: SEBRING GAS SYSTEM, INC.
 DOCKET NO: 20190083-GU

EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING
 INCOME PER BOOKS FOR THE HISTORIC BASE YEAR
 AND THE PRIOR YEAR

TYPE OF DATA SHOWN:
 HISTORIC BASE YEAR DATA: 12/31/2018
 HISTORIC BASE YEAR DATA - 1: 12/31/2017
 WITNESS: J. MELENDY

NET OPERATING INCOME - HISTORIC BASE YEAR ENDED 12/31/18

LINE NO		(1) PRIOR YEAR ENDED TOTAL COMPANY PER BOOKS (BASE YEAR - 1) 12/31/2017	(2) CURRENT HISTORIC BASE YEAR ENDED TOTAL COMPANY PER BOOKS 12/31/2018	(3) ADJUSTMENTS	(4) COMPANY ADJUSTED (2) - (3)	(5) REVENUE ADJUSTMENT	(6) JURISDICTIONAL AMOUNT PROPOSED RATES
1	TOTAL OPERATING REVENUES	\$973,478	\$1,080,949	(\$47,794)	\$1,033,155	\$0	\$1,033,155
	<u>OPERATING EXPENSES</u>						
2	COST OF GAS	\$0	\$0	\$0	\$0	\$0	\$0
3	OPERATIONS & MAINTENANCE	\$511,406	\$551,665	(\$47,953)	\$503,712	\$0	\$503,712
4	DEPRECIATION & AMORTIZATION	\$193,727	\$202,354	\$0	\$202,354	\$0	\$202,354
5	TAXES OTHER THAN INCOME TAXES	\$28,203	\$19,188	\$0	\$19,188	\$0	\$19,188
6	CURRENT FEDERAL INCOME TAX EXPENSE	\$0	\$49,958	\$1,388	\$51,346	\$0	\$51,346
7	CURRENT STATE INCOME TAX EXPENSE	\$0	\$12,810	(\$69)	\$12,741	\$0	\$12,741
8	DEFERRED FEDERAL INCOME TAX EXPENSE	\$0	\$0	(\$5,375)	(\$5,375)	\$0	(\$5,375)
9	DEFERRED STATE INCOME TAX EXPENSE	\$0	\$0	(\$877)	(\$877)	\$0	(\$877)
10	TOTAL OPERATING EXPENSES	\$733,336	\$835,975	(\$52,886)	\$783,089	\$0	\$783,089
11	NET OPERATING INCOME	\$240,142	\$244,974	\$5,092	\$250,066	\$0	\$250,066

Exhibit 3: Capital Structure

SCHEDULE D-10

RECONCILIATION OF AVERAGE CAPITAL STRUCTURE TO AVERAGE JURISDICTIONAL RATE BASE

PAGE 1 OF 1

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: RECONCILE THE TOTAL CAPITAL STRUCTURE TO THE 13 MONTH AVERAGE JURISDICTIONAL RATE BASE SHOWING ALL BALANCE SHEET ACCOUNTS AND INDIVIDUAL ADJUSTMENTS NECESSARY TO CONSTRUCT RATE BASE. BASED ON CURRENT COMMISSION RULES, POLICY, AND PRECEDENT AS ESTABLISHED IN MOST RECENT RATE CASES.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/2018
WITNESS: R. MELENDY

COMPANY: SEBRING GAS SYSTEM, INC.

DOCKET NO: 20190083-GU

YEAR ENDED 12/31/2018

LINE NO.	TOTAL COMPANY CAPITAL STRUCTURE		RECONCILING ADJUSTMENTS*			RECONCILED CAPITAL STRUCTURE**	
	COMPONENT	PER BOOKS	RECONCILING ITEMS	SPECIFIC	PRORATA	COMPONENT	ADJUSTED
1	COMMON EQUITY	\$1,819,928	SEE SCHEDULE D-1, PAGE 1	\$0	(\$1,716)	COMMON EQUITY	\$1,818,210
2	LONG TERM DEBT	\$1,666,523	SEE SCHEDULE D-1, PAGE 1	\$0	(\$1,571)	LONG TERM DEBT	\$1,664,952
3	SHORT TERM DEBT	\$63,030	SEE SCHEDULE D-1, PAGE 1	\$0	(\$59)	SHORT TERM DEBT	\$62,971
4	CUSTOMER DEPOSITS	\$144,171	SEE SCHEDULE D-1, PAGE 1	\$0	(\$136)	CUSTOMER DEPOSITS	\$144,035
5	DEFERRED INCOME TAXES	\$26,359	SEE SCHEDULE D-1, PAGE 1	\$0	(\$25)	DEFERRED INCOME TAXES	\$26,334
6	OTHER (EXPLAIN)	\$0	SEE SCHEDULE D-1, PAGE 1	\$0	\$0	OTHER (EXPLAIN)	\$0
7	TOTAL	\$3,720,009		\$0	(\$3,507)	TOTAL	\$3,716,502