

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: August 2, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230004-GU
Company Name: Sebring Gas System, Inc.
Company Code: GU617
Audit Purpose: A3e: Gas Conservation Cost Recovery
Audit Control No.: 2023-018-1-8

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.

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

Auditor's Report

Sebring Gas System, Inc.
Natural Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230004-GU
Audit Control No. 2023-018-1-8

July 24, 2023

A handwritten signature in cursive script, appearing to read "Tony Nguyen".

Tony Nguyen
Audit Manager

A handwritten signature in cursive script, appearing to read "Donna D. Brown".

Donna D. Brown
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 18, 2023. 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 2022 filing for the Natural Gas Conservation Cost Recovery Clause in Docket No. 20230004-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 Natural Gas Conservation Cost Recovery Clause.

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 2022 to 2021 revenues and expenses. Audit staff determined there was a 61.56% decrease in outside services and a 29.82% decrease in incentives, respectively, between 2021 and 2022. Outside services expenses decreased due to the Utility requiring less communication with their law firm concerning the conservation program in 2022. Incentives decreased due to a reduction in the participants of the following programs: Residential Appliance Replacements, Residential Customer Retention, Commercial New Construction, and Commercial Appliance Replacement in 2022. No further work was performed.

Revenue

Objectives: The objectives were to determine the actual therms sold for the period of January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors by rate codes and compared them to the last Commission order (Order No. PSC-2021-0422-FOF-GU). We calculated actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We examined a sample of residential and commercial customers' bills and recalculated them to verify that the correct tariff rate was used. 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 examined 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, and Order No. PSC-2014-0039-PAA-EG, issued January 14, 2014. 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, 2021, True-Up Provision to Commission Order No. PSC-2021-0422-FOF-GU. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 GCCR revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: True-Up and Interest Provision

Audit Analysis: In Docket No. 20220004-GU, audit staff noted that the Utility used the incorrect commercial paper rate for December 2021 on its 2021 filing. Audit staff determined the interest provision to be \$2 for the month of December 2021. We requested support from the Utility to verify whether the finding was recorded to the appropriate account and was appropriately reflected in the utility filing in Docket No. 20230004-GU. We determined that the Utility has not recorded the audit finding, but will in 2023. While the audit service request specifically asked to verify that prior year audit findings have been booked to appropriate accounts, audit staff does note that the finding is immaterial.

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

Effect on the Filing: There is no effect on this year's filing.

Exhibit

Exhibit 1: True Up

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	\$28	\$26	\$29	\$23	\$23	\$23	\$19	\$22	\$29	\$26	\$25	\$28	\$301
3 CONSERV. ADJ. REVS	(\$5,558)	(\$5,214)	(\$5,758)	(\$4,661)	(\$4,680)	(\$4,525)	(\$3,825)	(\$4,311)	(\$5,829)	(\$3,276)	(\$4,945)	(\$5,553)	(\$50,136)
4 TOTAL REVENUES	(\$5,530)	(\$5,188)	(\$5,729)	(\$4,638)	(\$4,657)	(\$4,502)	(\$3,806)	(\$4,290)	(\$5,800)	(\$5,249)	(\$4,921)	(\$5,526)	(\$59,833)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$2,107	\$25,282
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	(\$3,424)	(\$3,081)	(\$3,622)	(\$2,531)	(\$2,550)	(\$2,395)	(\$1,699)	(\$2,183)	(\$3,693)	(\$3,142)	(\$2,814)	(\$3,419)	(\$34,553)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$1,733	\$1,047	\$6,182	\$2,260	\$1,532	\$1,044	\$998	\$1,434	\$5,812	\$2,100	\$1,235	\$5,457	\$30,842
8 TRUE-UP THIS PERIOD	(\$1,691)	(\$2,035)	\$2,560	(\$262)	(\$1,019)	(\$1,351)	(\$701)	(\$749)	\$2,119	(\$1,043)	(\$1,579)	\$2,038	(\$3,712)
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	\$2	\$4	\$6	\$8	\$11	\$13	\$13	\$9	\$7	\$5	(\$5)	(\$13)	\$60
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH	\$25,282	\$21,486	\$17,349	\$17,807	\$15,447	\$12,332	\$8,887	\$6,092	\$3,245	\$3,265	\$121	(\$3,571)	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	(\$2,107)	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	\$21,486	\$17,349	\$17,807	\$15,447	\$12,332	\$8,887	\$6,092	\$3,245	\$3,265	\$121	(\$3,571)	(\$3,652)	(\$3,652)
	2	4	6	9	9	13	13	9	7	5	6	24	107

Company: Sebring Gas System, Inc.
 Docket No. 20230004-GU
 Exhibit #HM 1
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Energy conservation Adjustment Calculation of True-Up and Interest Provision

FOR MONTHS: JANUARY 2022 THROUGH DECEMBER 2022