

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:** August 6, 2024

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

**FROM:** Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis <sup>DB</sup>

**RE:** Docket No.: 20240004-GU  
Company Name: Sebring Gas System  
Company Code: GU617  
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery Clause (GCCR)  
Audit Control No.: 2024-031-1-7

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

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

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

**Twelve Months Ended December 31, 2023**

Docket No. 20240004-GU  
Audit Control No. 2024-031-1-7

**July 31, 2024**

*K. Sai Rashmitha*

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Sai Rashmitha Kolli  
Audit Manager

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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 February 8, 2024. 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 2023 filing for the Natural Gas Conservation Cost Recovery in Docket No. 20240004-GU.

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 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 2023 to 2022 revenues and expenses. Audit Staff determined there was a 50.16% increase in outside services and a 87.66% increase in incentives, respectively, between 2023 and 2022. Outside services expenses increased due to the Utility requiring more communication with their law firm concerning the conservation program in 2023. Incentives increased due to an increase of large commercial customers for commercial appliance replacement and commercial retention categories in 2023. No further work performed.

### **Revenue**

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2023, through December 31, 2023, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

**Procedures:** We computed revenues using the factors by rate codes and compared them to the last Commission order (Order No. PSC-2022-0423-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 the correct tariff rate was used. 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 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 and Interest Provision**

**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, 2022, True-Up Provision to the Commission Order No. PSC-2022-0423-FOF-GU. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 GCCR revenues and costs. We did note that an adjustment from Docket No. 20230004-GU was not made. Finding 1 discusses our recommendations.

## Audit Findings

### **Finding 1: True-Up and Interest Provision**

**Audit Analysis:** In Docket No. 20220004-GU, audit staff determined that the Utility used the incorrect commercial paper rate for December 2021 on the filing. Audit staff determined the interest provision to be \$2 for the month of December. The utility stated in Docket 20230004-GU, that it had not made the adjustment to reduce the interest provision by \$7, and it would be done in 2023. We determined that the utility inadvertently increased account 908.80 ECCR Interest by \$7 in 2024 instead of decreasing it.

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

**Effect on the Filing:** Audit staff recommends a reduction of \$14 for the interest provision as reflected on Schedule CT-3 of the 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	\$17	\$15	\$15	\$13	\$15	\$13	\$12	\$12	\$12	\$14	\$25	\$14	\$177
3 CONSERV. ADJ. REVS	(\$3,427)	(\$2,991)	(\$3,078)	(\$2,617)	(\$2,956)	(\$2,580)	(\$2,354)	(\$2,483)	(\$2,406)	(\$2,751)	(\$2,637)	(\$2,787)	(\$33,067)
4 TOTAL REVENUES	(\$3,410)	(\$2,976)	(\$3,062)	(\$2,604)	(\$2,941)	(\$2,567)	(\$2,342)	(\$2,471)	(\$2,394)	(\$2,737)	(\$2,612)	(\$2,773)	(\$32,890)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$304)	(\$3,652)
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	(\$3,714)	(\$3,281)	(\$3,367)	(\$2,908)	(\$3,246)	(\$2,872)	(\$2,646)	(\$2,775)	(\$2,699)	(\$3,041)	(\$2,916)	(\$3,078)	(\$36,542)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$1,315	\$4,164	\$2,932	\$6,769	\$1,419	\$1,119	\$1,046	\$14,275	\$1,214	\$1,808	\$7,510	\$2,273	\$45,843
8 TRUE-UP THIS PERIOD	(\$2,399)	\$883	(\$435)	\$3,861	(\$1,827)	(\$1,752)	(\$1,601)	\$11,500	(\$1,485)	(\$1,234)	\$4,594	(\$805)	\$9,300
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(\$17)	(\$20)	(\$19)	(\$11)	(\$6)	(\$12)	(\$19)	\$5	\$28	\$24	\$33	\$43	\$29
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	(\$3,652)	(\$5,764)	(\$4,597)	(\$4,746)	(\$592)	(\$2,120)	(\$3,580)	(\$4,895)	\$6,914	\$5,762	\$4,856	\$9,787	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	\$304	\$304	\$304	\$304	\$304	\$304	\$304	\$304	\$304	\$304	\$304	\$304	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	(\$5,764)	(\$4,597)	(\$4,746)	(\$592)	(\$2,120)	(\$3,580)	(\$4,895)	\$6,914	\$5,762	\$4,856	\$9,787	\$9,329	\$9,329

Company: Sebring Gas System, Inc.  
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Energy conservation Adjustment Calculation of True-Up and Interest Provision

FOR MONTHS: JANUARY 2023 THROUGH DECEMBER 2023



**Exhibit 2: Interest Provision**

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SCHEDULE CT-3													Company: Sebring Gas System, Inc.
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Calculation of True-Up and Interest Provision													
FOR MONTHS: JANUARY 2023 THROUGH DECEMBER 2023													
Interest Provision	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1 BEGINNING TRUE-UP	(\$3,652)	(\$5,764)	(\$4,597)	(\$4,746)	(\$592)	(\$2,120)	(\$3,580)	(\$4,895)	\$6,914	\$5,762	\$4,856	\$9,787	
ENDING TRUE-UP BEFORE													
2 INTEREST	(\$5,747)	(\$4,577)	(\$4,728)	(\$581)	(\$2,114)	(\$3,568)	(\$4,876)	\$6,909	\$5,733	\$4,833	\$9,754	\$9,286	
TOTAL BEGINNING &													
3 ENDING TRUE-UP	(\$9,399)	(\$10,341)	(\$9,325)	(\$5,327)	(\$2,706)	(\$5,688)	(\$8,456)	\$2,014	\$12,647	\$10,594	\$14,611	\$19,074	
AVERAGE TRUE-UP													
4 (LINE 3 x 50%)	(\$4,700)	(\$5,171)	(\$4,662)	(\$2,664)	(\$1,353)	(\$2,844)	(\$4,228)	\$1,007	\$6,323	\$5,297	\$7,305	\$9,537	
INT. RATE - 1ST DAY													
5 OF REPORTING MONTH	4.37%	4.61%	4.66%	4.88%	4.88%	5.14%	5.13%	5.37%	5.37%	5.33%	5.40%	5.34%	
INT. RATE - 1ST DAY													
6 OF SUBSEQUENT MONTH	4.61%	4.66%	4.88%	4.88%	5.14%	5.13%	5.37%	5.37%	5.33%	5.40%	5.34%	5.34%	
7 TOTAL (LINES 5 + 6)	8.98%	9.27%	9.54%	9.76%	10.02%	10.27%	10.50%	10.74%	10.70%	10.73%	10.74%	10.68%	
AVG. INT. RATE													
8 (LINE 7 x 50%)	4.49%	4.64%	4.77%	4.88%	5.01%	5.14%	5.25%	5.37%	5.35%	5.37%	5.37%	5.34%	
MONTHLY AVG.													
9 INT. RATE	0.37%	0.39%	0.40%	0.41%	0.42%	0.43%	0.44%	0.45%	0.45%	0.45%	0.45%	0.45%	
10 INTEREST PROVISION													
(LINE 4 x LINE 9)	(\$17)	(\$20)	(\$19)	(\$11)	(\$6)	(\$12)	(\$19)	\$5	\$28	\$24	\$33	\$43	\$29