

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: May 19, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160004-GU
Company Name: Sebring Gas Systems, Inc.
Company Code: GU617
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 16-019-1-6

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/cm

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, 2015

Docket No. 160004-GU
Audit Control No. 16-019-1-6
May 18, 2016

A handwritten signature in black ink, appearing to read "Debra Dobiac", written over a horizontal line.

Debra Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "Joan Hudson", written over a horizontal line.

Joan Hudson
Audit Staff

A handwritten signature in blue ink, appearing to read "Marisa Glover", written over a horizontal line.

Marisa Glover
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 19, 2016. 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 2015 filing for the Gas Conservation Cost Recovery Clause in Docket No. 160004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to 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, 2015 through December 31, 2015, 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-14-0655-FOF-GU issued November 6, 2014, 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) Expenses listed on Schedule CT-3 of the Utility's GCCR filing were supported by adequate documentation and that the expenses were 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. 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, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission-approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 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 and 2015 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												Company: Sebring Gas System, Inc.	
PAGE 2 OF 3												Docket No. 160004-GU	
												Exhibit JHM-1	
												Page 6 of 18	
Energy conservation Adjustment Calculation of True-Up and Interest Provision													
For Months: January 2015 through December 2015													
Conservation Revenues	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
1 RCS AUDIT FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 PSC REG ASSESS FEE	\$20	\$21	\$20	\$17	\$15	\$16	\$15	\$15	\$15	\$15	\$16	\$18	\$203
3 CONSERV. ADJ. REVS	<u>(\$4,069)</u>	<u>(\$4,101)</u>	<u>(\$3,966)</u>	<u>(\$3,321)</u>	<u>(\$3,068)</u>	<u>(\$3,146)</u>	<u>(\$2,961)</u>	<u>(\$2,981)</u>	<u>(\$2,958)</u>	<u>(\$3,112)</u>	<u>(\$3,271)</u>	<u>(\$3,662)</u>	<u>(\$40,616)</u>
4 TOTAL REVENUES	<u>(\$4,049)</u>	<u>(\$4,080)</u>	<u>(\$3,946)</u>	<u>(\$3,304)</u>	<u>(\$3,053)</u>	<u>(\$3,130)</u>	<u>(\$2,946)</u>	<u>(\$2,966)</u>	<u>(\$2,943)</u>	<u>(\$3,097)</u>	<u>(\$3,255)</u>	<u>(\$3,644)</u>	<u>(\$40,413)</u>
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,289</u>	<u>\$1,287</u>	<u>\$15,466</u>
6 CONSERVATION REVS APPLICABLE TO THIS PERIOD	<u>(\$2,760)</u>	<u>(\$2,791)</u>	<u>(\$2,657)</u>	<u>(\$2,015)</u>	<u>(\$1,764)</u>	<u>(\$1,841)</u>	<u>(\$1,657)</u>	<u>(\$1,677)</u>	<u>(\$1,654)</u>	<u>(\$1,808)</u>	<u>(\$1,966)</u>	<u>(\$2,357)</u>	<u>(\$24,947)</u>
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	\$3,821	\$2,550	\$6,641	\$3,923	\$1,033	\$1,159	\$810	\$3,715	\$2,916	\$3,123	\$2,278	\$1,593	\$33,562
8 TRUE-UP THIS PERIOD	\$1,061	(\$241)	\$3,984	\$1,908	(\$731)	(\$682)	(\$847)	\$2,038	\$1,262	\$1,315	\$312	(\$764)	\$8,615
9 INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	\$2	\$1	\$2	\$2	\$2	\$1	\$1	\$1	\$1	\$1	\$1	\$2	\$17
10 TRUE-UP & INT. PROV. BEGINNING OF MONTH.	\$15,466	\$15,240	\$13,711	\$16,407	\$17,028	\$15,010	\$13,040	\$10,905	\$11,655	\$11,630	\$11,657	\$10,681	
11 PRIOR TRUE-UP (COLLECTED) REFUNDED	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,289)</u>	<u>(\$1,287)</u>	
TOTAL NET TRUE-UP													
12 (SUM LINES 8+9+10+11)	15,240	13,711	16,407	17,028	15,010	13,040	10,905	11,655	11,630	11,657	10,681	8,632	8,632