

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



**REPORT ON
ENERGY CENTER HARRISBURG LLC**

**STATEMENTS OF STEAM COST RATE
FOR THE 12-MONTH PERIODS ENDED
JUNE 30, 2024 AND JUNE 30, 2023**

**APRIL 22, 2026
DOCKET NO. D-2025-3054891**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

Table of Contents

	<u>Page</u>
BACKGROUND	1
FINANCIAL REVIEW	
Independent Auditor's Report	2
Steam Cost Rate (SCR) Over/(Under) Collections (Section 1307(e)) for the 12 months ended June 30, 2024	4
Steam Cost Rate (SCR) Over/(Under) Collections (Section 1307(e)) for the 12 months ended June 30, 2023	5
Notes to the Financial Statements	6
Disposition of Prior Audit Findings	7
Current Finding	9

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

Background

Energy Center Harrisburg LLC (Energy Center Harrisburg or Company) is a direct subsidiary of Community Energy Operating Company LLC. Energy Center Harrisburg is principally engaged in generating and distributing steam for various applications, including space heating, domestic hot water heating, humidification, and industrial processes. The company provides steam service to approximately 110 customers in Harrisburg, Pennsylvania.

According to annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission) for the years 2024, 2023, and 2022, Energy Center Harrisburg's total steam revenues were \$7,652,013; \$7,344,377; and \$7,936,149 respectively.



Independent Auditor's Report to the Pennsylvania Public Utility Commission

Opinion

We have audited Energy Center Harrisburg LLC's Statements of Steam Cost Rate Over/Under Collections for the 12-month periods ended June 30, 2024 and June 30, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Energy Center Harrisburg LLC's Statements of Steam Cost Rate Over/Under Collections for the 12-month periods ended June 30, 2024 and June 30, 2023 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of Energy Center Harrisburg LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Energy Center Harrisburg LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Energy Center Harrisburg LLC's ability to continue as a going concern for a reasonable period of time.

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that the auditor identified during the audit.

Report on Other Legal and Regulatory Requirements

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of Energy Center Harrisburg LLC's revenue and expenses.

Christian Charles Yother

Chris Yother, CPA
Director
Bureau of Audits
Harrisburg, PA
April 22, 2026

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

**Steam Cost Rate (SCR)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended June 30, 2024²**

<u>Customer Class</u>	<u>SCR Revenue</u> (1)	<u>SCR Expenses</u> (2)	<u>Over/(Under) Collection</u> (3) = (1) - (2)
SCR-1 Large Group	\$ 2,776,269	\$ 2,691,242	\$ 85,026
SCR-1 Small Group	347,749	281,891	65,859
SCR-2	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 3,124,018</u>	<u>\$ 2,973,133</u>	<u>\$ 150,885</u>

¹ As reported to the Commission at Docket No. M-2024-3050281. Arithmetical differences are due to rounding.

² Notes to the Financial Statements are an integral part of this report.

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

**Steam Cost Rate (SCR)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended June 30, 2023⁴**

<u>Customer Class</u>	<u>SCR Revenue</u> (1)	<u>SCR Expenses</u> (2)	<u>Over/(Under) Collection</u> (3) = (1) - (2)
SCR-1 Large Group	\$ 2,783,312	\$ 2,990,963	\$ (207,651)
SCR-1 Small Group	287,664	353,156	(65,492)
SCR-2	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 3,070,976</u>	<u>\$ 3,344,119</u>	<u>\$ (273,143)</u>

³ As reported to the Commission at Docket Number M-2023-3042061. Arithmetical differences are due to rounding.

⁴ Notes to the Financial Statements are an integral part of this report.

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

Notes to the Financial Statements

1 – Statements

The Steam Cost Rate (SCR) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on Energy Center Harrisburg's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on July 24, 2024 and August 4, 2023. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2024-3050281 and M-2023-3042061.

2 – SCR Revenue

SCR Revenue is calculated by multiplying the sales volume billed by the applicable SCR rate, excluding the E-Factor.

3 – SCR Expenses

SCR Expenses are the total costs of oil and gas consumed, the cost of steam purchased, and the water and sewer costs incurred in the production of steam.

4 – Over/(Under) Collection

The Over/(Under) Collection is the difference between the SCR Revenue and the SCR Expenses. The resulting amount represents the portion of SCR Revenue refundable to or SCR Expenses recoverable from customers through subsequent SCR rates. Differences arise for two primary reasons:

- Variations between the actual volumes billed to customers and the estimates used to determine the SCR; and,
- Variations between the actual SCR Expenses and the estimates used to determine the SCR.

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

Disposition of Prior Audit Findings

The previous audit of Energy Center Harrisburg's SCR at Docket No. D-2023-3041984, for the 12-month periods ended June 30, 2021 and June 30, 2022 disclosed the following findings:

Finding No. 1 – Energy Center Harrisburg understated gas costs in June 2021.

Recommendation:

We recommended that Energy Center Harrisburg make an adjustment to recoup \$1,943 from its customers in the next SCR rate filing, effective September 1, 2024. We further recommended that the Company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to the SCR filings.

Disposition:

Energy Center Harrisburg recouped \$1,943 from its customers through the SCR effective September 1, 2024 at Docket No. M-2024-3050141. No new procedures, processes, or controls related to the SCR were implemented since the last audit.

Finding No. 2 – Energy Center Harrisburg overstated oil costs for the 12-month period ending June 30, 2021.

Recommendation:

We recommended that Energy Center Harrisburg make an adjustment to refund \$8,418 to its customers in the next SCR rate filing, effective September 1, 2024. We further recommended that the Company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to the SCR filings.

Disposition:

Energy Center Harrisburg refunded \$8,418 to its customers through the SCR rate effective September 1, 2024 at Docket No. M-2024-3050141. No new procedures, processes, or controls related to the SCR were implemented since the last audit.

PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891

Disposition of Prior Audit Findings (continued)

Finding No. 3 – Energy Center Harrisburg understated water costs for the 12-month period ending June 30, 2022.

Recommendation:

We recommended that Energy Center Harrisburg make an adjustment to recoup \$662 in the next SCR rate filing, effective September 1, 2024. We further recommended that the Company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to the SCR filings.

Disposition:

Energy Center Harrisburg recouped \$662 from its customers through the SCR effective September 1, 2024 at Docket No. M-2024-3050141. No new procedures, processes, or controls related to the SCR were implemented since the last audit.

Finding No. 4 – Energy Center Harrisburg inaccurately reported HSW-1 (Large Group) and HSW-2 (Small Group) sales volumes for May and June 2022.

Recommendation:

We recommended that Energy Center Harrisburg make an adjustment to refund \$4,193 to the HSW-1 customer class and collect \$2,588 from the HSW-2 customer class in its next SCR rate filing, effective September 1, 2024. We further recommended that the Company institute appropriately designed and effectively functioning controls to prevent, detect, and correct errors related to the SCR filings.

Disposition:

Energy Center Harrisburg refunded \$4,193 to its customers and recouped \$2,588 from its customers through the SCR rate effective September 1, 2024 at Docket No. M-2024-3050141. No new procedures, processes, or controls related to the SCR were implemented since the last audit.

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3054891**

Current Finding

Finding – Energy Center Harrisburg’s SCR internal controls are not effective.

As noted in the disposition of the prior audit findings, Energy Center Harrisburg did not implement new controls or process changes to address the control weaknesses that contributed to the prior audit findings. Audit Staff discovered several variances between internal documents, schedules, and reported or recorded amounts in the current audit as well.

Weaknesses in Energy Center Harrisburg’s internal control environment and control design continue to contribute to discrepancies in SCR documentation. No formal process exists to evaluate controls over SCR reporting at the local Energy Center Harrisburg level, processes related to SCR activities are not formally documented, there is no secondary review for SCR filing preparation and reporting, and limited cross training of Company employees. Additionally, following implementation of a new billing system, mis-mapping of SCR revenue into the general ledger was not immediately discovered.

While some of the variances were detected by the Company and corrected, several items required adjustment through the audit process. These adjustments were immaterial and will be included in the SCR effective September 1, 2026. The occurrence of errors related to the SCR highlights the risk of manual processes, lack of focus on internal control, and weaknesses in training, process documentation, and secondary review processes.

Recommendation:

We recommend Energy Center Harrisburg review its SCR internal controls and implement changes to create a more robust system of controls over SCR reporting, documentation, and transactions.