

ORIGINAL

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 11, 2000
TO: Division of Competitive Services (CMP) - Makin
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 000003-GU; City Gas Company of Florida
 Audit Report; PGA - Period Ended December 31, 1999
 Audit Control No. 00-003-4-3

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, they should send it to the Division of Records and Reporting. There are confidential work papers associated with this audit. Also, Pages 3-9 of the audit report are confidential.

DNV/sp

Attachment

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
 Miami District Office (Welch)
 ✓ Division of Records and Reporting
 Division of Legal Services

Michael A. Palecki
 City Gas Company of Florida
 PMB 110-M
 3111-20 Mahan Drive
 Tallahassee, FL 32308-5511

APP _____
 CAF _____
 CMP _____
 COM _____
 CTR _____
 ECR _____
 LEG _____
 OPC _____
 PAI _____
 RGO _____
 SEC I
 SER _____
 OTH _____

DOCUMENT NUMBER-DATE

11351 SEP 12 8

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

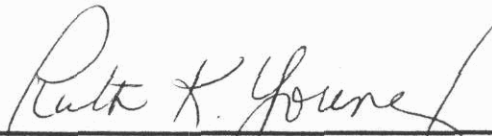
*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

**CITY GAS COMPANY OF FLORIDA
PURCHASED GAS ADJUSTMENT AUDIT
PERIOD ENDED DECEMBER 31, 1999**

AUDIT CONTROL NO. 00-003-4-3

DOCKET NO. 000003-GU



Ruth K. Young, Audit Manager



Iliana Piedra, Professional Accounting Specialist

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	Purpose	1
	Disclaim Public Use	1
	Summary of Significant Procedures	2
II.	AUDIT EXCEPTIONS	
1.	Revenues	3
2.	Cost of Gas	4
3.	Prior Audit Adjustments	10
4.	Books and Records	11
III.	EXHIBITS	12
	Company Filing for PGA for 12 months ended December 31, 1999	13
	Staff Recalculation of the A-2 schedules for the 12 months ended December 31, 1999	14

**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

September 5, 2000

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment Schedule for the year ending December 31, 1999. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 000003-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verify - The item was tested for accuracy and compared to substantiating documentation.

Revenues: The revenue amounts on the A-2 schedules were compared with the company reconciliation schedules. Traced revenues and therms to billing system summaries. Determined if the rates charged were over the cap. Recalculated customer bills for each rate class.

Expenses: Compiled cost of gas expenses for the 12-months ending December 31, 1999. Compared the cost of gas according to the A-2 schedules to the documentation supporting the A-2 schedules and the general ledger for all months. Examined on a judgmental basis invoices for the purchase of gas. Where the parent company allocated a portion of the gas invoice to City Gas, the allocation percents were traced to appropriate documentation. Off-system sales were examined on a judgmental based to determine if the correct amounts were deducted form the cost of gas. Margin sharing for off-system sales was recalculated on a random basis.

True-up and Interest: Recalculated the true-up and interest amount for the 12-months ending December 31, 1999. Traced interest rates to the Wall Street Journal.

CONFIDENTIAL

Pages 3 - 9

AUDIT EXCEPTION 3

**SUBJECT: ADJUSTMENTS FROM LAST PSC AUDIT FOR
 THE NINE MONTHS ENDED DECEMBER 31, 1998**

STATEMENT OF FACTS: Staff's last audit of the PGA included nine months ended December 31, 1998. In that audit report dated June 18, 1999, adjustments were made to the ending period true-up. In preparing the 1999 schedules, the company did not record the adjustments from the last audit. There were three exceptions that impacted the final overrecovery at 12/31/98. Two adjustments were to the cost of gas and the third was to correct an interest rate used by the company.

The net effect is a decrease in the company calculated overrecovery by \$46,951 including interest. This changed the overrecovery from \$2,754,582 to \$2,707,631.

RECOMMENDATION: This change is included in the revised true up schedule in the exhibit section of this report.

AUDIT EXCEPTION 4

SUBJECT: BOOKS AND RECORDS

STATEMENT OF FACTS: Because of the errors found and detailed in Audit Exceptions 1 through 3, the staff recommends the following.

The company should be advised to review all the schedules submitted for the year 2000 to date and prepare any reconciliations and/or revised schedules necessary. When the first six months are completed, staff should be advised and a preliminary audit for 2000 should be performed.

EXHIBITS

1. Company filed A-2 schedule for the 12 months ended December 31, 1999
2. Staff revised A-2 schedule for Exceptions 1, 2, and 3 for the 12 months ended December 31, 1999

Request 1
Question 3 December

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2 (REVISED 6/08/94) PAGE 4 OF 11			
CITY GAS COMPANY OF FLORIDA		FOR THE PERIOD OF:		JANUARY 99 Through DECEMBER 99					
		CURRENT MONTH: 12/99		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (Sch A-1 Flx down line 4+6)	1,352,916	1,603,243	250,327	15.61%	11,873,626	13,955,954	2,082,328	14.92%
2	TRANSP GAS COST (Sch A-1 Flx down line 1+2+3+5)	1,332,855	952,218	(380,637)	-39.97%	11,487,097	11,121,324	(365,773)	-3.29%
3	TOTAL	2,685,771	2,555,461	(130,310)	-5.10%	23,360,723	25,077,278	1,716,555	6.85%
4	FUEL REVENUES (Sch A-1 Flx down line 14) (NET OF REVENUE TAX)	1,771,150	2,549,015	777,865	30.52%	21,224,474	25,312,373	4,087,899	16.15%
5	TRUE-UP (COLLECTED) OR REFUNDED	136,071	136,071	-	0.00%	1,632,896	1,632,896	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,907,221	2,685,086	777,865	28.97%	22,857,370	26,945,269	4,087,899	15.17%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(778,550)	129,625	908,175	700.62%	(503,353)	1,867,991	2,371,344	126.95%
8	INTEREST PROVISION-THIS PERIOD (21)	5,605	8,068	2,463	30.53%	135,337	138,743	3,406	2.45%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,662,686	2,626,826	964,140	36.70%	2,754,582	2,754,582	-	0.00%
9A	ADJUST BEGINNING ESTIMATE	-	(888,535)	(888,535)	100.00%	-	(1,388,507)	(1,388,507)	100.00%
9B	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,662,686	1,738,291	75,605	4.35%	2,754,582	1,366,075	(1,388,507)	-101.64%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(126,071)	(136,071)	-	0.00%	(1,632,896)	(1,632,896)	-	0.00%
10a	Refund (if applicable)	-	-	-	---	-	-	-	---
10b	Refund of interim rate increase	-	-	-	---	-	-	-	---
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9b+10+10a)	753,670	1,739,913	986,243	56.68%	753,670	1,739,913	986,243	56.68%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9b)	1,662,686	1,738,291	75,605	4.35%	* If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4			
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10a + 10b + 7 - 5)	748,065	1,731,845	983,780	56.81%				
14	TOTAL (12+13)	2,410,752	3,470,136	1,059,384	30.53%				
15	AVERAGE (50% OF 14)	1,205,376	1,735,068	529,692	30.53%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.05550	0.05550	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05600	0.05600	-	0.00%				
18	TOTAL (16+17)	0.11150	0.11150	-	0.00%				
19	AVERAGE (50% OF 18)	0.05575	0.05575	-	0.00%				
20	MONTHLY AVERAGE (19/12 Months)	0.00465	0.00465	-	0.00%				
21	INTEREST PROVISION (15x20)	5,605	8,068	2,463	30.53%				

Company: CITY GAS CO.
 Title: True-up & Interest Calculations
 Period: Year Ended 12/31/99
 Date: September 5, 2000

REVISED FOR AUDIT EXCEPTIONS 1, 2, AND 3

Interest Rates per Wall Street Journal Commercial Paper	January	4.9000%	Interest Rates per Wall Street Journal Commercial Paper	July	5.0500%
Interest- first day reporting	February	4.8100%	Interest- first day reporting	August	5.1000%
	March	4.8500%		September	5.3200%
	April	4.8800%		October	5.3000%
	May	4.8000%		November	5.3000%
	June	4.8500%		December	5.5500%
Interest- first day reporting of subsequent month		5.0500%	Interest- first day reporting of subsequent month		5.6000%

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Beginning	4.900%	4.810%	4.850%	4.880%	4.800%	4.850%	5.05%	5.10%	5.32%	5.30%	5.30%	5.55%	
Ending	4.810%	4.850%	4.880%	4.800%	4.850%	5.050%	5.10%	5.32%	5.30%	5.30%	5.55%	5.60%	
Total	9.710%	9.660%	9.730%	9.680%	9.650%	9.900%	10.150%	10.420%	10.620%	10.600%	10.850%	11.150%	
Average	4.855%	4.830%	4.865%	4.840%	4.825%	4.950%	5.075%	5.210%	5.310%	5.300%	5.425%	5.575%	
Monthly Average	0.405%	0.403%	0.405%	0.403%	0.402%	0.413%	0.423%	0.434%	0.443%	0.442%	0.452%	0.465%	
CALCULATION OF TRUE-UP													
Total Gas revenues	2,014,309	2,194,545	2,320,479	1,919,843	1,728,079	1,832,960	1,635,139	1,383,636	1,422,377	1,425,247	1,576,710	1,771,150	21,224,474
Audit Exception 1	(2,529)	113,052	0	0	0	0	0	0	0	0	0	0	110,523
	2,011,780	2,307,597	2,320,479	1,919,843	1,728,079	1,832,960	1,635,139	1,383,636	1,422,377	1,425,247	1,576,710	1,771,150	21,334,997
Prior True-up - Note (a)	136,075	136,075	136,075	136,075	136,075	136,075	136,075	136,075	136,075	136,075	136,075	136,075	1,632,898
Adj Total gas revenue to current	2,147,855	2,443,672	2,456,554	2,055,918	1,864,154	1,969,035	1,771,214	1,519,711	1,558,452	1,561,322	1,712,785	1,907,225	22,967,895
Gas Cost	2,382,033	2,075,837	2,155,734	1,768,888	1,491,167	1,503,573	1,743,585	1,644,878	1,702,857	1,919,860	2,286,540	2,685,771	23,360,723
Audit Exception 2	16,495	(145,604)	160,961	22,061	0	0	(2,704)	0	0	5,133	(15,322)	(83,560)	(42,540)
Adjusted Total Gas Cost current	2,398,528	1,930,233	2,316,695	1,790,949	1,491,167	1,503,573	1,740,881	1,644,878	1,702,857	1,924,993	2,271,218	2,602,211	23,318,183
True-up this period	(250,673)	513,438	139,859	264,968	372,987	465,462	30,333	(125,167)	(144,405)	(363,671)	(558,433)	(694,986)	(350,288)
Interest provision	10,172	10,142	11,029	11,285	12,030	13,560	14,432	14,082	13,216	11,527	9,151	5,903	136,530
True-up & Interest beginning Note (b)	2,754,582	2,331,056	2,718,561	2,733,374	2,873,553	3,122,495	3,465,442	3,374,132	3,126,973	2,859,709	2,371,490	1,686,133	2,754,582
Audit Exception 3	(46,951)						0	0	0	0	0	0	(46,951)
Adj True-up Interest Beginning	2,707,631	2,331,056	2,718,561	2,733,374	2,873,553	3,122,495	3,465,442	3,374,132	3,126,973	2,859,709	2,371,490	1,686,133	2,707,631
Prior true-up coll. refunded	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(136,075)	(1,632,896)
FGT PGA TRUE UP ADJ													
Rate Case Refund Balance													Underrecovery
Total net true-up	2,331,056	2,718,561	2,733,374	2,873,553	3,122,495	3,465,442	3,374,133	3,126,973	2,859,709	2,371,490	1,686,133	860,975	860,977
True-up for the month CO. FILING	2,397,269	2,525,877	2,701,185	2,863,330	3,112,229	3,455,150	3,361,090	3,113,868	2,846,561	2,363,437	1,662,686	753,665	753,665
Difference	(66,213)	192,684	32,189	10,223	10,266	10,292	13,043	13,105	13,148	8,053	23,447	107,310	107,312
CALCULATION OF INTEREST													
Beginning true up and int.	2,707,631	2,331,056	2,718,561	2,733,374	2,873,553	3,122,495	3,465,442	3,374,132	3,126,973	2,859,709	2,371,490	1,686,133	
Ending true-up before int	2,320,883	2,708,419	2,722,345	2,862,268	3,110,465	3,451,882	3,359,700	3,112,890	2,846,493	2,359,963	1,676,982	855,072	
Total	5,028,514	5,039,475	5,440,907	5,595,643	5,984,018	6,574,377	6,825,142	6,487,023	5,973,466	5,219,672	4,048,472	2,541,205	
Average true up	2,514,257	2,519,737	2,720,453	2,797,821	2,992,009	3,287,189	3,412,571	3,243,511	2,986,733	2,609,836	2,024,236	1,270,603	
Interest rate per above	0.40%	0.40%	0.41%	0.40%	0.40%	0.41%	0.42%	0.43%	0.44%	0.44%	0.45%	0.46%	
Interest per staff	10,172	10,142	11,029	11,285	12,030	13,560	14,432	14,082	13,216	11,527	9,151	5,903	136,530
True-up for the month per Company	10,411	9,900	10,563	11,190	11,987	13,534	14,386	14,020	13,173	11,463	9,070	5,590	135,287
	(239)	242	466	95	43	26	46	62	43	64	81	313	1,243

Source: Company prepared schedule A-2

NOTE A: THE PRIOR TRUE UP AMOUNT SHOWN ABOVE WAS TRACED TO THE LAST 12 month period
 Order No. 98-1542-FOF-GU. \$1,632,896 divide by 12 = 136,074.67.

NOTE B: THE TRUE UP AND INTEREST BEGINNING TOTAL AMOUNT OF WAS TRACED
 TO LAST SIX MONTH PERIOD FILING - ENDING TRUE UP DOCKET 980003-GU
 AFAD NO. 99-042-4-1 Exceptions were noted in the report
 The beginning true up and interest is the staff revised amount,