

MEMORANDUM

December 13, 1996

TO: DIVISION OF RECORDS AND REPORTING (FLYNN)  
FROM: SYLVIA PELT, ADMINISTRATIVE ASSISTANT  
RE: DOCKET NO. 960003-GU -- FLORIDA PUBLIC UTILITIES COMPANY  
ISSUED UNDER DENISE VANDIVER'S DECEMBER 13, 1996  
TRANSMITTAL - AUDIT CONTROL NO. 96-151-4-2

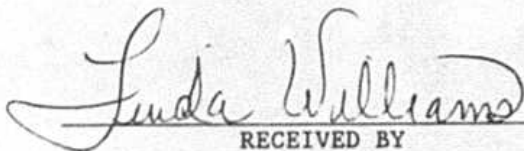
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Working papers, Volume II of II, are forwarded, pursuant to Rule 25-22.006, F.A.C. Volume I of II and the administrative section for the working papers have been filed as unclassified in DAFA files.

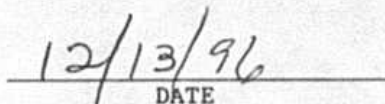
The audit exit conference was held December 6, 1996.

An attached one-page index lists all confidential papers.

Attachments: Confidential Document Index, Page one  
Working Papers, Volume II of II

cc: Legal  
Mary Andrews Bane  
Bob Freeman

  
RECEIVED BY

  
DATE

*index - 13291-96*  
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**Florida Public Service Commission**

**Audit Report**

**Six months ended March 31, 1996  
Six months ended September 30, 1996**

**Field work completed**

**December 4, 1996**

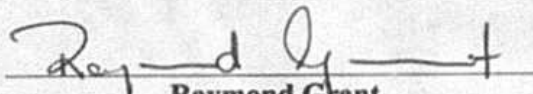
**FLORIDA PUBLIC UTILITIES COMPANY**

**Palm Beach County**

**Purchased Gas Adjustment Clause Audit**

**Docket Number 960003-GU**

**DAFA No. 96-151-4-2**



**Raymond Grant  
Audit Manager**



**Kathy Welch  
Regulatory Analyst Supervisor  
Miami District Office**

DOCUMENT NUMBER-DATE

13295 DEC 13 86

FPSC-RECORDS/REPORTING

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## **I. EXECUTIVE SUMMARY**

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to audit the appended Purchased Gas Adjustment schedules prepared in support of Docket 960003-GU for the twelve month period ended September 30, 1996. The audit exit conference was held on December 6, 1996. This report is based on confidential data filed with the Commission Clerk.

**DISCLAIM PUBLIC USE:** This is an internal accounting report prepared after performing a limited scope audit; Accordingly, this document must 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.

**OPINION:** The Purchased Gas Adjustment schedule A-2 for the six month period ended March 31, 1996 and Schedule A-2 for the six month period ended September 30, 1996 represent the Company's books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in section II of this report.

## II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report, the following definitions shall apply.

**COMPILED** -The audit staff reconciled exhibit amounts with the general ledger, visually scanned accounts for error or inconsistency, disclosed any unresolved error, irregularity, or inconsistency, and, except as noted, performed no other audit work.

**EXAMINED** -The audit staff reconciled exhibit amounts with the general ledger, traced general ledger account balances to subsidiary ledgers, applied selective analytical review procedures, tested account balances to the extent further described, and disclosed any error, irregularity, or inconsistency observed.

### **COST OF GAS**

Compiled gas costs from the Trial Balance by account and agreed to A-2 and A-1. Invoices were examined for the months of October 1995 through September 1996.

### **REVENUES**

Compiled gas revenues from Trial Balance and agreed to A-2. Recalculated revenues for the months, of February 1996 and July 1996 using the terms sold per Revenue Sheets Reports and applying the PGA billing factor for the month. The PGA billing factor was reviewed to determine if it was less than the CAP factor in the FPSC order.

The components of the PGA billing factor were reviewed to determine if the correct True-up Amount per FPSC order was used and how the Cost of Gas Purchased component was calculated for the specific month.

### **RECALCULATION OF A-2**

Recalculated the true-up and the interest calculation and traced the interest rates used to the Wall Street Journal. Traced prior True-up amount to Commission Order, and True-up and Interest Beginning to prior six month filing.

**III. COMPANY EXHIBITS**

FOR THE PERIOD OF: APRIL 1995 Through MARCH 1996

	CURRENT MONTH:		MARCH 1996		PERIOD TO DATE					
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE (3)	DIFFERENCE			
			AMOUNT	%			AMOUNT	%		
<b>TRUE-UP CALCULATION</b>										
1 PURCHASED GAS COST (Sch. A-1 Line 4)	1,373,044	1,269,294	(103,750)	(8.17)	10,421,518	9,949,677	(471,841)	(4.74)		
2 TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	616,150	394,309	(221,841)	(56.26)	5,507,008	4,167,586	(1,339,422)	(32.14)		
3 TOTAL	1,989,194	1,663,603	(325,591)	(19.57)	15,928,526	14,117,263	(1,811,263)	(12.83)		
4 FUEL REVENUES (NET OF REVENUE TAX)	1,892,037	1,660,004	(232,033)	(13.98)	14,689,811	14,058,593	(631,218)	(4.49)		
5 TRUE-UP (COLLECTED) OR REFUNDED	116,634	116,634	0	0.00	1,399,531	1,399,531	0	0.00		
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,008,671	1,776,638	(232,033)	(13.06)	16,089,342	15,458,124	(631,218)	(4.08)		
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	19,477	113,035	93,558	82.77	160,816	1,340,861	1,180,045	88.01		
8 INTEREST PROVISION-THIS PERIOD (2) (2)	(3,236)	2,057	5,293	0.00	15,413	30,333	14,920	0.00		
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	(668,633)	427,481	1,096,114	256.41	454,276	454,276	0	0.00		
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(116,634)	(116,634)	0	0.00	(1,399,531)	(1,399,531)	0	0.00		
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00		
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(769,026)	425,939	1,194,965	280.55	(769,026)	425,939	1,194,965	280.55		
<b>INTEREST PROVISION</b>										
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(668,633)	427,481	1,096,114	256.41	* 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+7-5)	(765,790)	423,882	1,189,672	280.66						
14 TOTAL (12+13)	(1,434,423)	851,363	2,285,786	268.49						
15 AVERAGE (50% OF 14)	(717,211)	425,682	1,142,893	268.49						
16 INTEREST RATE - FIRST DAY OF MONTH	5.3300%	5.8000%	---	---						
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.5000%	5.8000%	---	---						
18 TOTAL (16+17)	10.8300%	11.6000%	---	---						
19 AVERAGE (50% OF 18)	5.4150%	5.8000%	---	---						
20 MONTHLY AVERAGE (19/12 Months)	0.451%	0.483%	---	---						
21 INTEREST PROVISION (15x20)	(3,236)	2,057	---	---						

## Estimated Only:

- (1) Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up. In the ninth month of the period, the beginning True-up amount will change to the actual True-up amount at the end of the eighth month on the most recently filed Schedule E-2. The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.
- (2) For the current period, interest should equal the most recently filed Schedule E-2.
- (3) Period to date for months nine to twelve should be eight months actual plus four months estimated. Should agree to Schedule E-2.

FOR THE PERIOD OF: APRIL 1996 Through MARCH 1997

	CURRENT MONTH:		SEPTEMBER 1996		PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE (3)	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (Sch. A-1 Line 4)	520,899	778,814	257,915	33.12	4,359,489	4,919,698	560,209	11.39	
2 TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	242,215	137,179	(105,036)	(76.57)	1,824,100	1,581,206	(242,894)	(15.36)	
3 TOTAL	763,114	915,993	152,879	16.69	6,183,589	6,500,904	317,315	4.88	
4 FUEL REVENUES (NET OF REVENUE TAX)	1,005,832	914,210	(91,622)	(10.02)	6,813,841	6,488,994	(324,847)	(5.01)	
5 TRUE-UP (COLLECTED) OR REFUNDED	35,495	35,495	0	0.00	212,970	212,970	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,041,327	949,705	(91,622)	(9.65)	7,026,811	6,701,964	(324,847)	(4.85)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	278,213	33,712	(244,501)	(725.26)	843,222	201,060	(642,162)	(319.39)	
8 INTEREST PROVISION-THIS PERIOD (21) (2)	(1,246)	0	1,246	0.00	(17,295)	0	17,295	0.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	(397,541)	415,812	813,353	195.61	(769,026)	425,939	1,194,965	280.55	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(35,495)	(35,495)	0	0.00	(212,970)	(212,970)	0	0.00	
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(156,069)	414,029	570,098	137.70	(156,069)	414,029	570,098	137.70	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(397,541)	415,812	813,353	195.61					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(154,823)	414,029	568,852	137.39					
14 TOTAL (12+13)	(552,364)	829,841	1,382,205	166.56					
15 AVERAGE (50% OF 14)	(276,182)	414,921	691,103	166.56					
16 INTEREST RATE - FIRST DAY OF MONTH	5.3900%	0.0000%	---	---					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.4400%	0.0000%	---	---					
18 TOTAL (16+17)	10.8300%	0.0000%	---	---					
19 AVERAGE (50% OF 18)	5.4150%	0.0000%	---	---					
20 MONTHLY AVERAGE (19/12 Months)	0.451%	0.0000%	---	---					
21 INTEREST PROVISION (15x20)	(1,246)	0	---	---					

\* If line 5 is a refund add to line 4  
If line 5 is a collection ( ) subtract from line 4

## Estimated Only:

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State of Florida

Commissioners:  
SUSAN F. CLARK, CHAIRMAN  
J. TERRY DEASON  
JULIA L. JOHNSON  
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JOE GARCIA



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**Public Service Commission**

December 16, 1996

Mr. Frank C. Cressman  
Florida Public Utilities Company  
Post Office Box 3395  
West Palm Beach, Florida 33402-3395

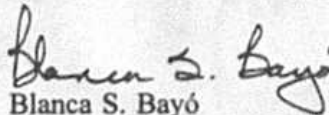
RE: Docket No. 960003-GU -- Florida Public Utilities Company  
PGA Audit Report - Periods Ended March 31, 1996 / September 30, 1996  
Audit Control # 96-151-4-2

Dear Mr. Cressman:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayo

BSB/cls  
Enclosure  
cc: Public Counsel  
Messer Law Firm