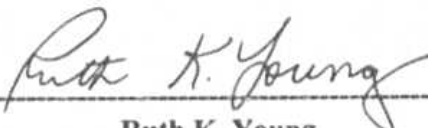


FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT
TWELVE MONTHS ENDED SEPTEMBER 30, 1996
FIELD WORK COMPLETED
DECEMBER 11, 1996
CITY GAS COMPANY
MIAMI, FLORIDA
DADE COUNTY
PURCHASED GAS ADJUSTMENT CLAUSE AUDIT


Docket No. 960003-GU
AFA No. 96-151-4-1



Ruth K. Young
Audit Manager

Staff Auditors:
Gabriela Leon

Minority Opinion:
Yes _____ No PK



Kathy L. Welch
Regulatory Analyst Supervisor
Miami District Office

DOCUMENT NUMBER-DATE
13617 DEC 23 96
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 by City Gas Company in support of Docket 960003-GU for the twelve month period ended September 30, 1996.

This report is based on confidential information which is separately filed with the Division of Records and Reporting. The audit exit conference was held December 12, 1996.

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 audit standards and produce audited financial statements for public use.

OPINION: The appended Purchased Gas Schedules for the twelve months period ending 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.

SUMMARY FINDINGS:

The A-2 schedules overstate the cost of gas in the amount of \$6,634.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED and EXAMINED means that audit work includes:

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 a Cost of Gas Schedule from the general ledger and reconciled to Schedule A-2. Reconciled Company's Summary Gas Cost Schedules to the general ledger and A-2. Judgmentally sampled adjusting entries to cost of gas. Examined invoices for a sample of two months. Agreed overtenders to cost of gas invoices.

REVENUES

Agreed PGA revenue amounts on company "Monthly Revenue Reports" to the A-2 schedules for all months. Reconciled company's summary for revenue for two months to the company's rate schedules. Recalculated accounts from the billing register for one month.

RECALCULATION OF A-2

Recalculated the true-up and the interest calculation and traced the interest rates used to Wall Street Journal. Traced true-up adjustment amounts to documentation. Traced prior true-up amount to Commission Order, and true-up and interest beginning to prior six month filing.

AUDIT EXCEPTION 1

SUBJECT: COST OF GAS

STATEMENT OF FACTS: In the month of September 1966 the company included in the A-2 schedule a cost of gas credit in the amount of \$30,231 for the profit margin from off system sales. The Commission authorized off system sales 50/50 sharing mechanism in PSC Order 96-0482-FOF-GU. The amount on the company books was a credit of \$31,920; a difference of \$1,689.

The company did not include in the A-2 schedules the Florida Gas Transmission refund for the months of July and August 96 in the amounts of \$22,607 and \$5,073.

For the months of April 96 through September 96 the company booked overtenders (which are actually a cost of gas) to revenue account instead of to the cost of gas account. Therefore, they were not included in the A-2 schedules as a debit to cost of gas. These were booked to a non-PGA revenue account.

April 96	\$ 6,582
May 96	15
June 96	94
July 96	12,424
August 96	1,001
September 96	2,619

	\$22,735

OPINION: Decrease cost of gas on the A-2 schedules in the amount of \$6,634.

Credit cost of gas for difference in filing and general ledger for off system sales	(1,689)
Credit cost of gas for Florida Gas Transmission refund	(22,607)
	(5,073)
Debit cost of gas for Overtenders	22,735

Credit cost of gas in the amount of	<u>(6,634)</u>

Staff recalculated the A-2 schedules for the months of March 96 through September 96 with interest. This is attached as Exhibit 1.

RECOMMENDATION: Credit cost of gas on the A-2 schedules in the amount of \$6,634. With interest this has the effect of increasing the true-up at September 30, 1996 in the amount of \$6,605; from \$587,520 to \$594,125.

Company

Title

Period

Auditor

Worksheet #40

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting

30 day commercial paper rate per Tallahassee memo

City Gas Company

True-up & Interest Calculations

SIX MONTHS ENDED SEPTEMBER 1996

RKY

Month 1	5.500%
Month 2	5.400%
Month 3	5.400%
Month 4	5.520%
Month 5	5.450%
Month 6	5.400%

Interest- first day reporting

of subsequent month

5.440%

INTEREST RATES

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER
Beginning	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%
Ending	5.400%	5.400%	5.520%	5.450%	5.400%	5.400%
Total	10.900%	10.800%	10.920%	10.970%	10.850%	10.800%
Average	5.450%	5.400%	5.460%	5.485%	5.425%	5.420%
Monthly Average	0.454%	0.450%	0.479%	0.457%	0.452%	0.452%

CALCULATION OF TRUE-UP

Total Gas revenues (Line 4)	2,966,402	3,043,855	2,974,315	2,327,735	2,456,523	2,326,706	15,695,616
Prior True-up (Line 5)	(12,755)	(12,755)	(12,755)	(12,755)	(12,755)	(12,755)	(76,530)
Total gas revenue to current period	2,953,647	3,031,100	2,961,560	2,314,980	2,443,768	2,313,951	15,619,086
Gas Cost (Line 3)	3,324,635	2,323,395	2,075,660	2,308,479	2,177,086	1,696,246	13,704,901
True-up this period (Line 7)	(370,388)	707,705	485,900	6,501	266,682	817,783	1,914,185
Interest provision (Line 8)	(7,064)	(6,214)	(3,538)	(2,387)	(1,696)	804	0
True-up & interest beginning (Line 9)	(1,376,495)	(1,741,192)	(1,026,946)	(531,829)	(514,960)	(237,219)	(1,376,495)
Prior true-up coll. refunded	12,755	12,755	12,755	12,755	12,755	12,755	76,530
FOT SETTLEMENT REFUND							0
Rate Case Refund Balance							
Total net true-up	(1,741,192)	(1,026,946)	(531,829)	(514,960)	(237,219)	84,125	594,125
True-up for the month per CO. FILING	(1,734,392)	(1,020,302)	(525,061)	(518,367)	(244,723)	587,520	587,520
Difference	(6,800)	(6,644)	(6,768)	3,407	7,504	6,605	6,605

CALCULATION OF INTEREST

Beginning true up and int.	(1,376,495)	(1,741,192)	(1,026,946)	(531,829)	(514,960)	(237,219)	
Ending true-up before int	(1,734,328)	(1,020,732)	(528,291)	(512,373)	(235,523)	593,321	
Total	(3,110,823)	(2,761,923)	(1,555,237)	(1,044,202)	(750,483)	356,101	
Average true up	(1,555,312)	(1,380,962)	(777,619)	(522,201)	(375,421)	176,051	
Interest rate per above	0.45%	0.45%	0.46%	0.46%	0.45%	0.45%	
Interest per staff	(7,064)	(6,214)	(3,538)	(2,387)	(1,696)	804	
True-up for the month per Co.	(7,064)	(6,185)	(3,508)	(2,379)	(1,721)	773	
	(18)	(29)	(30)	(9)	21	31	

Source: Company prepared schedule A-2 plus Exception 1 in Report.

The Prior true up amount shown above was traced to Order PSC96-0323-FCF-GU. True up to be collected April 96 through March 97 (Underrecovery) in the amount of \$153,077 (153,077*2=76,539) (12,755 *6 = 76,530)

The true up and interest beginning total amount of \$1,376,495 was traced to last six month period filing.

AUDIT DISCLOSURE 1

SUBJECT: REVENUE RECONCILIATION

STATEMENT OF FACTS: Although the company has taken measures from previous years to separately identify the PGA revenues billed to customers on the revenue report, staff could still not compile the amount of PGA revenues from the general ledger to trace to the A-2 schedules. The company does not keep their books to facilitate this.

OPINION: Not detailing revenues in separate accounts makes reconciliation of the filing to the books more difficult.

COMPANY:
CITY GAS COMPANY OF FLORIDA

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2
(REVISED 6/08/94)
PAGE 4 OF 11

FOR THE PERIOD OF: APRIL 95 Through MARCH 96

	CURRENT MONTH: 03/96		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)	1,960,516	2,971,639	1,011,123	34.03%	15,920,433	19,244,500	3,324,067	17.27%
2 TRANSP GAS COST (Sch A-1 Flx down line 1+2+3+5)	1,764,075	1,357,902	(406,173)	-29.91%	10,689,588	10,500,370	(189,218)	-1.80%
3 TOTAL	3,724,590	4,329,541	604,951	13.97%	26,610,020	29,744,870	3,134,850	10.54%
4 FUEL REVENUES (Sch A-1 Flx down line 14) (NET OF REVENUE TAX)	2,644,557	4,318,583	1,674,026	38.76%	24,767,660	30,022,756	5,255,096	17.50%
5 TRUE-UP (COLLECTED) OR REFUNDED	2,550	2,550	0	0.00%	30,600	30,600	0	0.00%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,647,107	4,321,133	1,674,026	38.74%	24,798,260	30,053,356	5,255,096	17.49%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(1,077,483)	(8,408)	1,069,075	-12714.98%	(1,811,760)	308,486	2,120,246	687.31%
8 INTEREST PROVISION-THIS PERIOD (21)	(3,756)	2,600	6,356	244.46%	29,069	46,145	17,076	37.01%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(292,706)	581,584	874,290	150.33%	76,672	76,672	0	0.00%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(2,550)	(2,550)	0	0.00%	(30,600)	(30,600)	0	0.00%
10a Refund (if applicable)	0	0	0	—	360,124	172,523	(187,601)	—
10b Refund of interim rate increase	0	0	0	—	0	0	0	—
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(1,376,495)	573,226	1,949,721	340.13%	(1,376,495)	573,226	1,949,721	340.13%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(292,706)	581,584	874,290	150.33%				
13 ENDING TRUE-UP BEFORE INTEREST (12 + 10a + 10b + 7 - 5)	(1,372,739)	570,626	1,943,365	340.57%				
14 TOTAL (12+13)	(1,665,445)	1,152,210	2,817,655	244.54%				
15 AVERAGE (50% OF 14)	(832,723)	576,105	1,408,828	244.54%				
16 INTEREST RATE - FIRST DAY OF MONTH	0.05330	0.05330	0.00000	0.00%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05500	0.05500	0.00000	0.00%				
18 TOTAL (16+17)	0.10830	0.10830	0.00000	0.00%				
19 AVERAGE (50% OF 18)	0.05415	0.05415	0.00000	0.00%				
20 MONTHLY AVERAGE (19/12 Months)	0.00451	0.00451	0.00000	0.07%				
21 INTEREST PROVISION (15x20)	(3,756)	2,600	6,356	244.46%				

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

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
CITY GAS COMPANY OF FLORIDA		FOR THE PERIOD OF:				(REVISED 6/08/94)			
		APRIL 96		Through		MARCH 97		PAGE 4 OF 11	
		CURRENT MONTH: 09/96		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)	726,113	1,915,578	1,189,465	62.09%	8,940,604	14,260,418	5,319,814	37.30%
2	TRANSP GAS COST (Sch A-1 Flx down line 1 + 2 + 3 + 5)	769,203	768,354	(849)	-0.11%	4,770,931	4,749,893	(21,038)	-0.44%
3	TOTAL	1,495,316	2,683,932	1,188,616	44.29%	13,711,535	19,010,311	5,298,776	27.87%
4	FUEL REVENUES (Sch A-1 Flx down line 14) (NET OF REVENUE TAX)	2,326,786	2,672,536	345,750	12.94%	15,695,616	18,939,077	3,243,461	17.13%
5	TRUE-UP (COLLECTED) OR REFUNDED	(12,755)	(12,755)	-	0.00%	(76,530)	(76,530)	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,314,031	2,659,781	345,750	13.00%	15,619,086	18,862,547	3,243,461	17.20%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	818,715	(24,151)	(842,866)	3489.98%	1,907,551	(147,764)	(2,055,315)	1390.94%
8	INTEREST PROVISION - THIS PERIOD (21)	773	2,350	1,577	67.11%	(20,066)	14,777	34,843	235.79%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	(244,723)	525,815	770,538	146.54%	(1,376,495)	573,226	1,949,721	340.13%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	12,755	12,755	-	0.00%	76,530	76,530	-	0.00%
10a	Refund (if applicable)	-	-	-	---	-	-	-	---
10b	Refund of interim rate increase	-	-	-	---	-	-	-	---
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7 + 8 + 9 + 10 + 10a)	587,520	516,769	(70,751)	-13.69%	587,520	516,769	(70,751)	-13.69%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(244,723)	525,815	770,538	146.54%	-	-	-	-
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10a + 10b + 7 - 5)	586,747	514,419	(72,328)	-14.06%	-	-	-	-
14	TOTAL (12 + 13)	342,024	1,040,234	698,210	67.12%	-	-	-	-
15	AVERAGE (50% OF 14)	171,012	520,117	349,105	67.12%	-	-	-	-
16	INTEREST RATE - FIRST DAY OF MONTH	0.05400	0.05400	-	0.00%	-	-	-	-
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05444	0.05444	-	0.00%	-	-	-	-
18	TOTAL (16 + 17)	0.10844	0.10844	-	0.00%	-	-	-	-
19	AVERAGE (50% OF 18)	0.05422	0.05422	-	0.00%	-	-	-	-
20	MONTHLY AVERAGE (19/12 Months)	0.00452	0.00452	(0.00000)	-0.04%	-	-	-	-
21	INTEREST PROVISION (15x20)	773	2,350	1,577	67.11%	-	-	-	-

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

State of Florida

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



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

December 24, 1996

Mr. Richard F. Wall
City Gas Company
955 East 25th Street
Hialeah, Florida 33103-3498

RE: Docket No. 960003-GU -- City Gas Company of Florida
PGA Audit Report - Period Ended September 30, 1996
Audit Control # 96-151-4-1

Dear Mr. Wall:

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,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/cls
Enclosure
cc: Public Counsel
Michael Palecki