

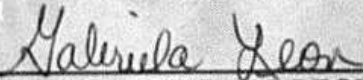
**FLORIDA PUBLIC SERVICE COMMISSION**

**AUDIT REPORT**

**12 MONTHS ENDING SEPTEMBER 30, 1996  
FIELD WORK COMPLETED  
DECEMBER 11, 1996**

**CITY GAS COMPANY  
MIAMI, FL  
DADE COUNTY**

**CONSERVATION AUDIT  
DOCKET NUMBER 960002-EG  
AUDIT CONTROL NUMBER 96-149-4-1**



**GABRIELA M. LEON**

**STAFF:  
RAYMOND GRANT**

**MINORITY OPINION  
YES \_\_\_\_\_ NO 16**



**KATHY L. WELCH  
REGULATORY ANALYST SUPERVISOR  
MIAMI DISTRICT OFFICE**

DOCUMENT NUMBER-DATE

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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 Conservation True-Up schedules filed by City Gas Company in support of Docket 950002-EG for the twelve month period October 1995 to September 1996 to determine that exhibits represent utility books and that those records are maintained in compliance with Commission directives; that adjustments are based on supportable facts and assumptions; and that facts which may influence the Commission decision process are disclosed.

**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:** Subject to audit exceptions 1, 2, 3 and audit disclosures 1, 2, 3 the True-up schedules of the Conservation filing for the twelve month period ending September 30, 1996 represent City Gas Company books and records maintained in substantial compliance with Commission directives. The expressed opinion extend only to the scope of work described in section II of this report.

Because of a change in payroll allocation methodology, payroll included in this filing appears to duplicate payroll included in base rates.



## 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.

**REVENUES:** Complied revenues per the general ledger and reconciled to Company schedules CT-3. Complied terms sold from the Company's revenue worksheets and applied the applicable rate factors approval in Commission orders. Reconciled revenue calculation to Company's CT-3 schedules. Recomputed a bill for various rate classes to determine that the applicable factor is actually billed.

**EXPENSES:** Complied all expenses amounts per the general ledger and reconciled to Company's CT-3 schedules. Staff tested 100% of all advertising expenses by tracing to the invoices and advertisement ads. From the Company's prepaid printout of incentives staff pulled a judgmental sample for the period 3/96 through 8/96. The incentives were traced to vouchers invoices and service orders. Payroll allocations were verified with employees. Recalculate a sample of transportation expenses.

**TRUE - UP:** Recalculated true-up and verified the beginning true-up to the ECCR orders and the interest rates to the Wall Street Journal.

### III. AUDIT EXCEPTIONS

#### AUDIT EXCEPTION NO. 1

#### SUBJECT: TRUE-UP AND INTEREST

**STATEMENT OF FACT:** The Company has incorrectly used the beginning true-up in their calculation of true-up and interest provision on schedule CT-3 page 3 of 3. Per Order PSC-96-0352-FOF-EG the beginning true up is \$210,395, the Company used \$208,011, a difference of \$2,384. The Company made an adjustment to the ledger for \$1,854 in September 1996 but this adjustment was not made to the filing.

**OPINION:** The error resulted in an increase in the end of period net true-up in the amount of \$1,494 after interest

Company's end of period net true up	(\$450,368.00)
Staff's recalculation of end of period net true up	(\$448,874.00)
	-----
	(\$1,494.00)
	-----
	-----

The Company should increase their true-up by \$1,494 and adjust their books accordingly.

SCHEDULE NO. 1

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	October 1995	Month 1	5.940%
30 day commercial paper rate per Tallahassee memo	November 1995	Month 2	5.810%
	December 1995	Month 3	5.800%
	January 1996	Month 4	5.810%
	February 1996	Month 5	5.400%
	March 1996	Month 6	5.330%
Interest- first day reporting of subsequent month	April 1996		5.500%

INTEREST RATES

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
Beginning	5.940%	5.810%	5.800%	5.810%	5.400%	5.330%
Ending	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%
Total	11.750%	11.610%	11.610%	11.210%	10.730%	10.830%
Average	5.875%	5.805%	5.805%	5.605%	5.365%	5.415%
Monthly Average	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%

CALCULATION OF TRUE-UP

Conservation revenues-net of tax, (Line 4)	(148,411)	(177,426)	(219,585)	(332,376)	(288,060)	(270,445)
Prior True-up (Line 5)	17,334	17,334	17,334	17,334	17,334	17,334
Total gas revenue to current period	(131,077)	(160,092)	(202,251)	(315,042)	(270,726)	(253,111)
Conservation expenses (Line 7)	70,665	133,864	107,876	144,259	87,764	142,108
True-up this period (Line 8)	(60,412)	(26,228)	(94,375)	(170,783)	(182,962)	(111,003)
Interest provision this period (Line 9)	840	540	167	(538)	(1,385)	(2,146)
True-up & interest beginning (Line 10)	210,395	133,489	90,467	(21,074)	(209,729)	(411,411)
Prior true-up coll. refunded	(17,334)	(17,334)	(17,334)	(17,334)	(17,334)	(17,334)
Total net true-up	133,489	90,467	(21,074)	(209,729)	(411,411)	(541,894)
True-up for the month CO. FILING	131,093	88,060	(23,494)	(212,160)	(413,852)	(544,346)
Difference	2,396	2,407	2,420	2,431	2,441	2,452

CALCULATION OF INTEREST

Beginning true up and int.	210,395	133,489	90,467	(21,074)	(209,729)	(411,411)
Ending true-up before int	132,649	89,927	(21,242)	(209,191)	(410,025)	(539,748)
Total	343,044	223,415	69,225	(230,266)	(619,754)	(951,158)
Average true up	171,522	111,708	34,613	(115,133)	(309,877)	(475,579)
Interest rate per above	0.49%	0.48%	0.48%	0.47%	0.45%	0.45%
Interest per staff	840	540	167	(538)	(1,385)	(2,146)
True-up for the month per Company's Filing	828	529	156	(549)	(1,396)	(2,157)
Difference	12	11	11	11	11	11

Source: Company prepared schedule A-2



SCHEDULE NO. 2

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	April 1996	Month 1	5.500%
30 day commercial paper rate per Tallahassee memo	May 1996	Month 2	5.400%
	June 1996	Month 3	5.400%
	July 1996	Month 4	5.520%
	August 1996	Month 5	5.450%
	September 1996	Month 6	5.400%
Interest- first day reporting of subsequent month	October 1996		5.440%

INTEREST RATES

	1996 APRIL	1996 MAY	1996 JUNE	1996 JULY	1996 AUGUST	1996 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%	5.440%
Total	10.900%	10.800%	10.920%	10.970%	10.850%	10.840%
Average	5.450%	5.400%	5.460%	5.485%	5.425%	5.420%
Monthly Average	0.454%	0.450%	0.455%	0.457%	0.452%	0.452%

CALCULATION OF TRUE-UP

Total Conservation revenues (Line 4)	(105,587)	(91,288)	(81,064)	(76,380)	(73,699)	(71,239)
Prior True-up (Line 5)	17,334	17,334	17,334	17,334	17,334	17,334
Total conservation revenue to current period	(88,253)	(73,954)	(63,730)	(59,046)	(56,365)	(53,905)
Conservation expenses (Line 7)	149,667	109,248	101,503	84,312	86,845	73,627
True-up this period (Line 8)	61,414	35,294	37,773	25,267	30,481	19,723
Interest provision this period (Line 9)	(2,372)	(2,210)	(2,158)	(2,113)	(2,051)	(2,024)
True-up & interest beginning (Line 9)	(541,894)	(500,186)	(484,436)	(466,155)	(460,335)	(449,239)
Prior true-up coll. refunded	(17,334)	(17,334)	(17,334)	(17,334)	(17,334)	(17,334)
Total net true-up	(500,186)	(484,436)	(466,155)	(460,335)	(449,239)	(448,874)
True-up for the month per CO. FILING	(502,638)	(486,899)	(468,629)	(462,821)	(451,738)	(450,368)
Difference	2,452	2,463	2,474	2,486	2,499	1,494

CALCULATION OF INTEREST

Beginning true up and int.	(541,894)	(500,186)	(484,436)	(466,155)	(460,335)	(449,239)
Ending true-up before int	(497,814)	(482,226)	(463,997)	(458,222)	(447,188)	(446,850)
Total	(1,039,708)	(982,412)	(948,434)	(924,377)	(907,522)	(896,089)
Average true up	(519,854)	(491,206)	(474,217)	(462,189)	(453,761)	(448,045)
Interest rate per above	0.454%	0.45%	0.46%	0.46%	0.45%	0.452%
Interest per staff	(2,361)	(2,210)	(2,158)	(2,113)	(2,051)	(2,024)
True-up for the month per filing	(2,372)	(2,221)	(2,169)	(2,124)	(2,063)	(1,018)
	11	11	11	11	12	(1,006)

Source: Company prepared schedule A-2

**AUDIT EXCEPTION NO. 2**

**SUBJECT: ADVERTISING**

**STATEMENT OF FACT:** The Company has included in the CT-3 Schedule of the filing \$3,148.20 of advertising expenses related to an invoice for the printing and shipping of 500 oven mitts and 300 aprons. The oven mitts and aprons only show the name of the Company and it's logo. It does not meet the requirements of Order 17281 such as showing the problem and the solution.

**OPINION:** Since none of the Conservation Programs are advertised, the Company should reduce advertising expenses by \$3,148.20.



**AUDIT EXCEPTION NO. 3**

**SUBJECT: PAYROLL**

**STATEMENT OF FACT:** Per the last rate case docket 960502-GU \$180,600 of Conservation salaries were removed from base salaries. The Company has reallocated their Conservation wages based on estimated hours worked according to interviews with employees. They have charged \$259,956.61 to Conservation salaries. Since \$180,600 of these salaries were removed in the rate case from base rates, the difference of \$79,256.61 is a duplication of salaries already included in base rates. The employees have not changed since the last rate case.

In addition, the Company has charged \$59,661.37 of taxes and benefits to Conservation, only \$47,048.02 was removed in the base rate calculation. The difference of \$12,613.35 is a duplication of charges in base rates.

**OPINION:** Conservation payroll expenses should be reduced by \$91,869.96 plus interest.

#### **IV. AUDIT DISCLOSURES**

##### **AUDIT DISCLOSURE NO. 1**

##### **SUBJECT: REVENUES**

**STATEMENT OF FACT:** Prior to January 1996 the Company was recording revenues in account 18689001. Starting in January the Conservation Revenues are included in gas revenues billed to customers FERC account 480 and 481.

According to the Company "each month, the expenses incurred are compared to the revenues billed and the difference is recorded to the deferred ECP account. The revenues billed are calculated by taking the volumes billed to customers for the month in the respective classes multiplied by the ECP rate, which is consistent with the way these revenues were determined in the past.

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

**AUDIT DISCLOSURE NO. 2**

**SUBJECT: COMMERCIAL TRANSPORTATION**

**STATEMENT OF FACT:** The Company has included revenues related to Commercial Transportation on their CT-3 schedule. They have consistently billed these customers the ECCR rate. Commission Order PSC-96-0352-FOF-EG does not separately identify the Commercial Transportation rate code as being included in Energy Conservation. Since the Company has billed these customers, the revenue is appropriately recorded in revenues in the true-up schedules. A determination needs to be made on whether these customers should be charged or if a refund is due.



**AUDIT DISCLOSURE NO. 3**

**SUBJECT: ADVERTISING EXPENSES**

**STATEMENT OF FACT:** The Company has included an invoice for \$125.00 for a fee related to the 1996 Chamber of Commerce's Business Exposition. This event gives the Company an opportunity to gain exposure and possible business contacts.

**V. COMPANY EXHIBITS**

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: OCTOBER 1995 THROUGH SEPTEMBER 1996

CONSERVATION REVENUES	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1 RCS AUDIT FEES	.	.	.	.	.	.	.	.	.	.	.	.	.
2 OTHER PROGRAM REVS	.	.	.	.	.	.	.	.	.	.	.	.	.
3 CONSERV. ADJ REVS	<u>(148,411)</u>	<u>(177,426)</u>	<u>(219,585)</u>	<u>(332,376)</u>	<u>(288,060)</u>	<u>(270,445)</u>	<u>(105,587)</u>	<u>(91,288)</u>	<u>(81,064)</u>	<u>(76,380)</u>	<u>(73,699)</u>	<u>(71,239)</u>	<u>(1,935,560)</u>
4 TOTAL REVENUES	<u>:(148,411)</u>	<u>(177,426)</u>	<u>(219,585)</u>	<u>(332,376)</u>	<u>(288,060)</u>	<u>(270,445)</u>	<u>(105,587)</u>	<u>(91,288)</u>	<u>(81,064)</u>	<u>(76,380)</u>	<u>(73,699)</u>	<u>(71,239)</u>	<u>(1,935,560)</u>
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,334</u>	<u>17,335</u>	<u>17,335</u>	<u>17,335</u>	<u>208,011</u>
CONSERVATION REVENUES 6 APPLICABLE TO THE PERIOD	<u>(131,077)</u>	<u>(160,092)</u>	<u>(202,251)</u>	<u>(315,042)</u>	<u>(270,726)</u>	<u>(253,111)</u>	<u>(88,253)</u>	<u>(73,954)</u>	<u>(63,730)</u>	<u>(59,045)</u>	<u>(56,364)</u>	<u>(53,904)</u>	<u>2,227,549</u>
CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	<u>70,865</u>	<u>133,864</u>	<u>107,876</u>	<u>144,259</u>	<u>87,764</u>	<u>142,108</u>	<u>149,667</u>	<u>109,248</u>	<u>101,503</u>	<u>84,312</u>	<u>86,845</u>	<u>73,627</u>	<u>1,291,738</u>
8 TRUE-UP THIS PERIOD	<u>(60,412)</u>	<u>(26,228)</u>	<u>(94,375)</u>	<u>(170,783)</u>	<u>(182,962)</u>	<u>(111,003)</u>	<u>61,414</u>	<u>35,294</u>	<u>37,773</u>	<u>25,267</u>	<u>30,481</u>	<u>19,723</u>	<u>(435,811)</u>
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	<u>828</u>	<u>529</u>	<u>156</u>	<u>(549)</u>	<u>(1,396)</u>	<u>(2,157)</u>	<u>(2,372)</u>	<u>(2,221)</u>	<u>(2,169)</u>	<u>(2,124)</u>	<u>(2,063)</u>	<u>(1,018)</u>	<u>(14,557)</u>
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	<u>208,011</u>	<u>131,093</u>	<u>88,060</u>	<u>(23,494)</u>	<u>(212,160)</u>	<u>(413,852)</u>	<u>(544,346)</u>	<u>(502,638)</u>	<u>(486,899)</u>	<u>(468,629)</u>	<u>(462,821)</u>	<u>(451,738)</u>	
11 PRIOR PERIOD TRUE UP COLLECTED/(REFUNDED)	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,334)</u>	<u>(17,335)</u>	<u>(17,335)</u>	<u>(17,335)</u>	
12 TOTAL NET TRUE UP (SUM LINES 8 + 9 + 10 + 11)	<u>131,093</u>	<u>88,060</u>	<u>(23,494)</u>	<u>(212,160)</u>	<u>(413,852)</u>	<u>(544,346)</u>	<u>(502,638)</u>	<u>(486,899)</u>	<u>(468,629)</u>	<u>(462,821)</u>	<u>(451,738)</u>	<u>(450,368)</u>	<u>(450,368)</u>

12



CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: OCTOBER 1995 THROUGH SEPTEMBER 1996

	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1. INTEREST PROVISION													
BEGINNING TRUE-UP	208,011	131,093	88,060	(79,494)	(212,160)	(413,852)	(544,346)	(502,638)	(486,899)	(468,629)	(462,821)	(451,738)	
2. ENDING TRUE-UP BEFORE INTEREST	130,265	87,531	(23,649)	(211,611)	(412,456)	(542,189)	(500,266)	(484,678)	(468,460)	(460,697)	(449,675)	1,018	
3. TOTAL BEGINNING & ENDING TRUE-UP	338,276	218,624	64,410	(236,105)	(624,616)	(956,042)	(1,044,612)	(987,316)	(953,360)	(929,327)	(912,497)	(450,720)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	169,138	109,312	32,205	(117,552)	(312,308)	(478,021)	(522,306)	(493,658)	(476,680)	(464,663)	(456,248)	(225,360)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.940%	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	5.440%	
7. TOTAL (SUM LINES 5 & 6)	11.750%	11.610%	11.610%	11.210%	10.730%	10.830%	10.900%	10.800%	10.920%	10.970%	10.850%	10.840%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.875%	5.805%	5.805%	5.605%	5.365%	5.415%	5.450%	5.400%	5.460%	5.485%	5.425%	5.420%	
9. MONTHLY AVG INTEREST RATE	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.452%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	828	529	156	(549)	(1,396)	(2,157)	(2,372)	(2,221)	(2,169)	(2,124)	(2,063)	(1,018)	(14,557)
10. a. INT. ADJ													

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 of Florida  
955 East 25th Street  
Hialeah, Florida 33103-3498

RE: Docket No. 960002-EG -- City Gas Company of Florida  
Conservation Audit Report - Period Ended September 30, 1996  
Audit Control # 96-149-4-1

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