

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1996

FIELD WORK COMPLETED

DECEMBER 19, 1996

WEST FLORIDA NATURAL GAS


PANAMA CITY, FLORIDA

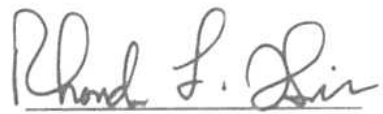
BAY COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT

DOCKET NUMBER 970002-EG

AUDIT CONTROL NUMBER 96-149-1-1

  
DEMETRIUS M. LOCKWOOD  
AUDIT MANAGER

  
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REGULATORY SUPERVISOR  
TALLAHASSEE DISTRICT OFFICE

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## I. EXECUTIVE SUMMARY

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report and have recalculated the true-up and interest exhibits filed by West Florida Natural Gas Company in support of Docket 960002-EG for the twelve months ended September 30, 1996, to determine that the exhibits represent the utility's books and records and that those books and records are maintained in compliance with Commission directives and that facts which may influence the Commission's 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 the audit disclosure; the ECCR exhibits for the twelve months ended September 30, 1996, represent West Florida Natural Gas Company's books and records maintained in substantial compliance with Florida Public Service Commission prescribed rules, directives, and procedures. The expressed opinions extend only to the scope of work described in Section II of this report.

### SUMMARY FINDINGS:

The ECCR exhibits for the twelve months ended September 30, 1996 and the Company's general ledger for both conservation revenues and program expenses are not supported by the company's books and records.

## II. AUDIT SCOPE

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

**CONSERVATION REVENUES:** Compiled the conservation revenues and determined that the company has used the approved ECCR factor as set forth in Commission Order No. PSC-96-0352-FOF-EG; obtained a copy of the sales journal for the period October 31, 1995 through September 30, 1996; recalculated all hand bills for total therms sold and recalculated conservation revenues for each rate class for twelve months ended September 30, 1996.

**CONSERVATION EXPENSES:** Compiled conservation program expenses; visually scanned a sample of invoices supporting payments for advertising, payroll and benefit expenses, incentive expenses and all invoices for legal expenses for both divisions; obtained a copy of the conservation expense report for both divisions for January 1996 and April 1996; traced the conservation expense report to the general ledger; compiled the interest provision and recalculated interest provision and net true-up.

AUDIT EXCEPTION NO. 1

SUBJECT: Conservation Revenues and Program Expenses

STATEMENT OF FACT: The general ledger and the CT-3 Schedules submitted to the Commission are misstated.

A). The audit staff requested the Company to reconcile the conservation adjusted revenues and other program revenues to the general ledger. (Document Request #DML-4) The Company's response to this request states, "The errors are a direct result of an entirely new accounting staff and our lack of understanding of the program. Errors occurred both in the general ledger and the CT-3 schedule submitted to the PSC." The Company agrees to the following corrections for conservation adjusted revenues to the general ledger:

1. April 1996 variance of \$1,367
2. May 1996 variance of \$261
3. June 1996 variance of \$986
4. July 1996 variance of \$2,878
5. August 1996 variance of \$989
6. September 1996 variance of 1,148

The Company also plans to adjust other program revenues, July variance of \$3,953.

B). The audit staff requested the Company to reconcile the program expenses reported on Schedule CT-3 to the general ledger. (Document Request #DML-2) The Company's response to this request states, "The error derived from lack of knowledge of how the program operated because of new personnel in the accounting department." The Company agrees to the following corrections to the general ledger:

1. April 1996 variance of \$250
2. June 1996 variance of \$615
3. September 1996 variance of \$354

RECOMMENDATIONS: The audit staff recalculated Schedule CT-3 by utilizing the adjustments mentioned above. The Company should make the adjustments to the general ledger as mentioned above and to the true-up amount. In addition, the Company should submit revised CT-Schedules to the Commission. (SEE ATTACHED)

COMPANY: WEST FLORIDA NATURAL GAS COMPANY  
FOR MONTHS: OCTOBER 1996 THROUGH SEPTEMBER 1999

CONSERVATION REVENUES	MONTH OCT	MONTH NOV	MONTH DEC	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	(3,725)	(3,632)	(3,961)	(4,138)	(12,156)	(5,821)	(5,803)	(5,189)	(4,938)	(4,263)	(4,879)	(5,369)	(63,676)
3. CONSERV. ADJ REVS	(76,065)	(46,766)	(76,492)	(112,700)	(94,466)	(13,816)	(87,607)	(40,662)	(31,668)	(32,281)	(28,138)	(28,168)	(668,692)
4. TOTAL REVENUES	(28,790)	(50,388)	(79,452)	(116,838)	(108,660)	(89,438)	(73,410)	(48,822)	(36,624)	(36,624)	(34,008)	(34,614)	(732,368)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(147,889)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(41,111)	(62,719)	(91,782)	(129,169)	(118,991)	(101,768)	(86,741)	(68,152)	(48,856)	(48,856)	(46,338)	(46,846)	(890,327)
7. CO-USEVATION EXPS (FROM CT-3, PAGE 1)	34,887	49,689	64,288	104,665	60,326	48,819	87,120	60,687	61,102	66,028	48,063	64,082	688,885
8. TRUE-UP THIS PERIOD	(6,224)	(13,129)	(37,496)	(74,214)	(68,868)	(62,860)	(28,821)	(7,666)	2,247	6,174	2,764	17,237	(210,442)
9. ENTER PROV. THIS PERIOD (FROM CT-3, PAGE 2)	(710)	(692)	(768)	(822)	(842)	(1,174)	(1,317)	(1,336)	(1,312)	(1,260)	(1,168)	(1,066)	(12,648)
10. TRUE-UP & ENTER PROV BEGINNING OF MONTH	(147,969)	(142,674)	(144,064)	(168,988)	(182,692)	(228,969)	(281,762)	(289,369)	(296,920)	(282,666)	(285,402)	(261,492)	(2,222,890)
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	(122,890)
12. TOTAL NET TRUE-UP (SUM LINES 8 + 9 + 10 + 11)	(142,674)	(144,064)	(169,986)	(192,692)	(238,869)	(281,762)	(289,369)	(296,920)	(282,666)	(285,402)	(261,492)	(222,890)	(2,222,890)

West Florida Natural Gas Company  
 Conservation Cost Recovery  
 Recalculation of Schedule CT 3 Page 2  
 For the period 10/31/95 through 09/30/96

<b>Conservation Revenues</b>													
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	TOTAL
1 RCS Audit Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Other Program Rev.	(3,696)	(3,646)	(3,977)	(4,156)	(12,247)	(5,644)	(7,811)	(5,218)	(4,962)	(3,953)	(4,898)	(5,378)	(63,602)
3 Conservation Adj. Rev.	(25,054)	(46,753)	(75,486)	(112,650)	(94,457)	(83,811)	(68,974)	(40,878)	(32,542)	(32,647)	(30,127)	(30,304)	(673,723)
4 Total Revenues (L1+L2+L3)	(28,750)	(50,401)	(79,463)	(116,846)	(106,697)	(89,455)	(74,785)	(46,096)	(37,524)	(36,600)	(35,025)	(35,682)	(737,325)
5 Prior Period True-up N/A to this period	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(147,972)
6 Conservation Revenue applicable to this period (L4+L5)	(41,081)	(62,732)	(91,794)	(129,177)	(119,028)	(101,786)	(87,116)	(58,427)	(49,855)	(48,931)	(47,356)	(48,013)	(885,297)
7 Conservation Expenses	34,887	49,589	54,268	104,955	50,335	48,819	57,370	50,597	50,487	55,028	49,083	64,435	669,673
8 True-up this period (L6+L7)	(6,194)	(13,143)	(37,506)	(24,222)	(68,693)	(52,967)	(29,746)	(7,830)	632	6,097	1,727	16,422	(215,424)
9 Interest Provision	(709)	(692)	(758)	(822)	(943)	(1,174)	(1,319)	(1,337)	(1,317)	(1,250)	(1,168)	(1,067)	(12,566)
10 True-up & Interest Prov Beginning of month	(147,969)	(142,574)	(144,064)	(169,986)	(182,692)	(239,959)	(281,753)	(299,359)	(295,920)	(282,656)	(265,402)	(251,493)	
11 Prior True-up	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	
12 TOTAL Net True-up (L8+L9+L10+L11)	(142,541)	(144,078)	(169,997)	(182,699)	(239,997)	(281,769)	(300,487)	(296,195)	(284,274)	(265,478)	(252,512)	(223,807)	(227,979)
<b>INTEREST PROVISION</b>													
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	TOTAL
1 Beginning true-up	(147,969)	(142,574)	(144,064)	(169,986)	(182,692)	(239,959)	(281,753)	(299,359)	(295,920)	(282,656)	(265,402)	(251,493)	
2 True-up this period	(6,195)	(13,143)	(37,506)	(24,222)	(68,693)	(52,967)	(29,746)	(7,830)	632	6,097	1,727	16,422	
3 Prior True-up	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	
4 Ending true-up before interest	(141,833)	(143,386)	(169,239)	(181,877)	(239,054)	(280,595)	(299,168)	(294,058)	(282,957)	(264,228)	(251,344)	(222,740)	
5 Total true-up (L1+L4)	(289,802)	(285,960)	(313,303)	(351,863)	(421,746)	(520,554)	(580,921)	(594,217)	(578,877)	(546,884)	(516,746)	(474,233)	
6 Average true-up (L5 times 50%)	(144,901)	(142,980)	(156,652)	(175,932)	(210,873)	(260,277)	(290,461)	(297,109)	(289,439)	(273,442)	(258,373)	(237,117)	
7 Interest rate 1st. day of 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%	
8 Interest rate subsequent month	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	5.400%	
9 Total (L7+L8)	11.750%	11.610%	11.610%	11.210%	10.730%	10.830%	10.900%	10.800%	10.920%	10.970%	10.850%	10.800%	
10 Avg. interest rate (L9 times 50%)	5.875%	5.805%	5.805%	5.605%	5.365%	5.415%	5.450%	5.400%	5.460%	5.485%	5.425%	5.400%	
11 Monthly Avg. interest rate (L10/12)	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.450%	
12 Interest Provision (L6 times L11)	(709)	(692)	(758)	(822)	(943)	(1,174)	(1,319)	(1,337)	(1,317)	(1,250)	(1,168)	(1,067)	(12,566)

This schedule is recalculated using the auditor's adjustments for conservation revenues and program expenses.

State of Florida

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



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REPORTING  
BLANCA S. BAYO  
DIRECTOR  
(904) 413-6770

**Public Service Commission**

January 13, 1997

Mr. Jeff Householder  
West Florida Natural Gas Company  
Post Office Box 1460  
Panama City, Florida 32402-1460

RE: Docket No. 970002-EG -- West Florida Natural Gas Company  
Conservation Audit Report - Period Ended September 30, 1996  
Audit Control # 96-149-1-1

Dear Mr. Householder:

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