

**Florida Public Service Commission**

**Audit Report**

**Twelve months ended September 30, 1997**

**Field work completed**

**October 15, 1997**

**INDIANTOWN GAS COMPANY**

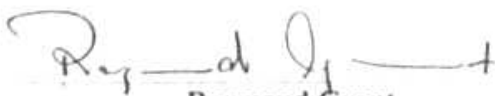
**Indiantown, Florida**

**Martin County**

**Purchased Gas Adjustment Clause Audit**

**Docket Number 970003-GU**

**DAFA No. 97-160-4-3**



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**DOCUMENT NUMBER-DATE  
12486 DEC-56  
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 970003-GU for the twelve month period ended September 30, 1997.

**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 Exception No. 1, the Purchased Gas Adjustment schedule A-2 for the six month period ended March 31, 1997 and Schedule A-2 for the six month period ended September 30, 1997 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 company used the correct terms to calculate the amount billed to their residential customers in October 1996, but used the incorrect amount to calculate revenues on schedule A-2.

In January and February 1997, the company used the incorrect terms to calculate the revenues from industrial customer U S Generating Company on schedule A-2. The company recalculated the bills for their customers but did not change their A-2.

## **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.

### **COST OF GAS**

Compiled gas costs from the invoices and reconciled amounts to Schedule A-1 and A-2. Traced purchases for the months of October 1996 through September 1997 to the disbursement ledger. Examined invoices for all months.

### **REVENUES**

Recalculated revenues using the terms sold per the Natural Gas Sales Report and the approved cap factor per Commission Orders. Recalculated residential and commercial customers billing and reconciled the rate billed to the cap per Commission Orders and the customer and energy charge per tariff.

### **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 the prior six month filing.

**AUDIT EXCEPTION NO. 1****SUBJECT: REVENUES OVERSTATED****STATEMENT OF FACTS:**

The company used the correct therms to calculate the amount billed to their residential customers in October 1996, but used the incorrect amount to calculate revenues on schedule A-2. In January and February 1997, the company used the incorrect therms to calculate the revenues from U.S. Generating Company on Schedule A-2. The bills to US Generating were subsequently revised but the changes were not reflected on the schedule A-2.

	<b>Used to Calculate</b>	<b>Billed To</b>	<b>Difference</b>
	<b>Sch. A-2</b>	<b>Customer</b>	
<b>October 1996</b>			
<b>Residential</b>			
Customers Therms	11,737	11,787	50
Cost of Gas	0.34171	0.34171	
PGA Revenue	\$4,010.65	\$4,027.71	<b>(\$17.05)</b>
<b>January 1997</b>			
<b>Industrial</b>			
US Generating Therms	1,206,595	1,165,727	40,868
PGA Revenue	\$ 538,263.00	\$ 520,031.30	<b>\$18,231.70</b>
<b>February 1997</b>			
<b>Industrial</b>			
US Generating Therms	712,843	671,975	40,868
PGA Revenue	\$ 232,570.00	\$221,138.92	<b>\$11,432.00</b>
<b>Total Revenue Overstated on A-2</b>			<b>\$29,646.65</b>

**OPINION:**

The total revenues on schedule A-2 for the six month period ended March 31, 1997 were overstated by \$29,646.65. Because the revenues on schedule A-2 were overstated, the true-up and interest for the six month period ended March 31, 1997 and September 30, 1997 were overstated by \$29,935 and \$30,780 respectively.

	<b>March</b>	<b>September</b>
	<b>1997</b>	<b>1997</b>
True-up Per Company A-2	\$21,345	(\$38,080)
Per Staff Calculation	(\$ 8,592)	(\$68,866)
Difference	<b>\$29,937</b>	<b>\$30,786</b>

The true-up and interest calculations are presented on the following pages

Company: Indiantown  
 Title: True-up & Interest Calculations  
 Period: SIX MONTHS ENDED MARCH 31, 1997  
 Auditor: RG

Workpaper #40

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	Month 1	5.4400%
	Month 2	5.3800%
	Month 3	5.4500%
	Month 4	5.9500%
	Month 5	5.4500%
	Month 6	5.4300%

Interest- first day reporting  
 of subsequent month 5.7400%

INTEREST RATES

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
Beginning	5.440%	5.380%	5.450%	5.950%	5.450%	5.430%
Ending	5.380%	5.450%	5.950%	5.450%	5.430%	5.740%
Total	10.820%	10.830%	11.400%	11.400%	10.880%	11.170%
Average	5.410%	5.415%	5.700%	5.700%	5.440%	5.565%
Monthly Average	0.451%	0.451%	0.475%	0.475%	0.453%	0.465%

CALCULATION OF TRUE-UP

Total Gas revenues	190,857	262,737	362,221	661,485	319,848	164,107	1,961,255
Prior True-up - Note a	6,399	6,399	6,399	6,399	6,399	6,399	38,394
Total gas revenue to current period	197,256	269,136	368,620	667,884	326,247	170,506	1,999,649
Gas Cost	190,797	285,072	372,229	648,377	329,635	170,724	1,996,834
True-up this period	6,459	(15,936)	(3,609)	19,507	(3,388)	(218)	2,815
Interest provision	121	71	(1)	6	13	(24)	186
True-up & interest beginning Note (b)	26,801	26,982	4,718	(5,291)	7,823	(1,950)	26,801
Prior true-up coll. refunded	(6,399)	(6,399)	(6,399)	(6,399)	(6,399)	(6,399)	(38,394)
FGT PGA TRUE UP ADJ							0
Rate Case Refund Balance							
Total net true-up	26,982	4,718	(5,291)	7,823	(1,950)	(8,592)	(8,592)
True-up for the month per Co. Filing	26,985	4,701	(5,308)	26,081	27,848	21,345	21,345
Difference	17	17	17	(18,258)	(29,798)	(29,937)	(29,937)

CALCULATION OF INTEREST

Beginning true up and int	26,801	26,982	4,718	(5,291)	7,823	(1,950)	
Ending true-up before int	26,861	4,647	(5,290)	7,817	(1,964)	(8,567)	
Total	53,662	31,629	(571)	2,526	5,860	(10,518)	
Average true up	26,831	15,814	(286)	1,263	2,930	(5,259)	
Interest rate per above	0.45%	0.45%	0.48%	0.48%	0.45%	0.47%	
interest per staff	121	71	(1)	6	13	(24)	186
interest per Co. Filing	121	71	(1)	49	122	114	476
	(0)	0	(0)	(43)	(109)	(138)	(290)

NOTE 4

THE PRIOR TRUE UP AMOUNT OF \$6,399 SHOWN ABOVE WAS TRACED TO THE LAST SIX MONTH PERIOD FILING AUDIT DOCKET 960003-GU AFAD NO 96-151-4-3

NOTE 5

THE TRUE UP AND INTEREST BEGINNING TOTAL AMOUNT OF \$26,801 WAS TRACED TO LAST SIX MONTH PERIOD FILING - ENDING TRUE UP DOCKET 960003-GU AFAD NO 96-151-4-3

Company Indiantown  
 Title True-up & Interest Calculations  
 Period SIX MONTHS ENDED SEPTEMBER 30, 1997  
 Auditor RG

Workpaper #40

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	Month 1	5.7400%
	Month 2	5.6200%
	Month 3	5.6000%
	Month 4	5.6200%
	Month 5	5.5600%
	Month 6	5.5600%
Interest- first day reporting of subsequent month		5.5300%

INTEREST RATES

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER
Beginning	5.740%	5.620%	5.600%	5.620%	5.560%	5.560%
Ending	5.620%	5.600%	5.620%	5.560%	5.560%	5.530%
Total	11.360%	11.220%	11.220%	11.200%	11.140%	11.060%
Average	5.680%	5.610%	5.610%	5.600%	5.570%	5.545%
Monthly Average	0.473%	0.468%	0.468%	0.467%	0.464%	0.462%

CALCULATION OF TRUE-UP

Total Gas revenues	266,050	198,353	141,488	160,441	229,043	324,538	1,321,913
Prior True-up - Note a	(449)	(449)	(449)	(449)	(449)	(449)	(2,594)
Total gas revenue to current period	267,601	197,904	141,039	159,992	228,594	324,089	1,319,219
Gas Cost	304,167	198,054	148,203	152,045	232,500	345,959	1,360,928
True-up this period	(36,566)	(150)	(7,164)	7,947	(3,906)	(2,187)	(61,709)
Interest provision	(126)	(209)	(225)	(222)	(210)	(267)	0
True-up & interest beginning Note (b)	(8,502)	(44,835)	(44,745)	(51,685)	(43,511)	(47,178)	(6,502)
Prior true-up coll. refunded	449	449	449	449	449	449	2,604
FGT SETTLEMENT REFUND							0
Rate Case Refund Balance							
Total net true-up	(44,835)	(44,745)	(51,685)	(43,511)	(47,178)	(56,666)	(56,666)
True-up for the month per Co. Filing	(14,756)	(14,525)	(21,324)	(13,008)	(16,533)	(36,060)	(36,060)
Difference	(30,079)	(30,220)	(30,361)	(30,503)	(30,645)	(20,786)	(20,786)

CALCULATION OF INTEREST

Beginning true up and int	(8,502)	(44,835)	(44,745)	(51,685)	(43,511)	(47,178)
Ending true-up before int	(44,709)	(44,536)	(51,460)	(43,289)	(46,968)	(56,599)
Total	(53,211)	(89,371)	(96,205)	(94,974)	(90,479)	(103,777)
Average true up	(26,605)	(44,686)	(48,103)	(47,487)	(45,239)	(51,888)
Interest rate per above	0.47%	0.47%	0.47%	0.47%	0.46%	0.46%
Interest per staff	(126)	(209)	(225)	(222)	(210)	(267)
Interest per Co. Filing	16	(68)	(84)	(80)	(68)	(126)
	(142)	(141)	(141)	(142)	(142)	(141)

Source: Company prepared schedule A-2

Note 1a

PRIOR TRUE UP TRACED TO ORDER NO. PSC-97-0292 FOR GU. (ACCOUNT NO. 970003) GU. P-3. TRUE UP AMOUNT TO BE REFUNDED DURING THE PERIOD APRIL 1997 THROUGH MARCH 1998 IS \$5,386 DIVIDED BY 12 = \$449.

Note 2c

THE TRUE UP AND INTEREST BEGINNING TOTAL AMOUNT OF \$21,345 WAS TRACED TO LAST SIX MONTH PERIOD FILING. ENDING TRUE UP:

**IV. COMPANY EXHIBITS**



COMPANY: INDIANTOWN GAS COMPANY

## CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2  
(REVISED 8/19/93)

FOR THE PERIOD OF: APRIL 96 Through MARCH 97

	CURRENT MONTH: MARCH 1997		PERIOD TO DATE		CURRENT MONTH: MARCH 1997		PERIOD TO DATE	
	ACTUAL	REVISED* ESTIMATE	DIFFERENCE		ACTUAL	REVISED* ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST	0	0	0	0.00	0	0	0	0.00
2 TRANSPORTATION COST	170,724	375,000	(204,276)	(54.47)	3,529,998	3,506,262	23,736	0.68
3 TOTAL	170,724	375,000	(204,276)	(54.47)	3,529,998	3,506,262	23,736	0.68
4 FUEL REVENUES (NET OF REVENUE TAX)	164,107	375,000	(210,893)	(56.24)	3,587,357	3,537,253	50,104	1.42
5 TRUE-UP (COLLECTED) OR REFUNDED	6,399	6,399	0	0.00	76,788	76,788	0	0.00
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ OR -) LINE 5)	170,506	381,399	(210,893)	(55.29)	3,664,145	3,614,041	50,104	1.39
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(218)	6,399	(6,617)	(103.41)	134,147	107,779	26,368	24.46
8 INTEREST PROVISION - THIS PERIOD (LINE 21)	114	(27)	141	(522.22)	1,105	741	364	49.12
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	27,848	(5,360)	33,208	(619.55)	(37,119)	(37,119)	0	0.00
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(6,399)	(6,399)	0	0.00	(76,788)	(76,788)	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)	21,345	(5,387)	26,732	(496.23)	21,345	(5,387)	26,732	(496.23)
<b>INTEREST PROVISION</b>								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	27,848	(5,360)	33,208	(619.55)				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	21,231	(5,360)	26,591	(496.10)				
14 TOTAL (12+13)	49,079	(10,720)	59,799	(557.83)				
15 AVERAGE (50% OF 14)	24,540	(5,360)	29,900	(557.84)				
16 INTEREST RATE - FIRST DAY OF MONTH	5.43000%	5.95000%	-0.52000%	(8.74)				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.74000%	5.95000%	-0.21000%	(3.53)				
18 TOTAL (16+17)	11.17000%	11.90000%	-0.73000%	(6.13)				
19 AVERAGE (50% OF 18)	5.59000%	5.95000%	-0.36000%	(6.05)				
20 MONTHLY AVERAGE (19/12 Months)	0.46583%	0.49583%	-0.03000%	(6.05)				
21 INTEREST PROVISION (15x20)	114	(27)	141	(522.22)				

\* REVISED ESTIMATE IS EIGHT MONTHS ACTUAL &amp; FOUR MONTHS REVISED ESTIMATE

