

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

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**DATE:** July 10, 2001  
**TO:** Division of Competitive Services (Makin)  
**FROM:** Division of Regulatory Oversight (Vandiver) *W*  
**RE:** Docket No. 010003-GU; Atlantic Utilities, a Florida Division of Southern Union Company d/b/a South Florida Natural Gas; PGA audit; Audit Control No. 01-065-3-1

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Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)  
Division of Commission Clerk and Administrative Services (2)  
Division of Legal Services

Mr. Al Kara  
Atlantic Utilities, a Florida Division of Southern Union Company d/b/a South  
Florida Natural Gas  
P.O. Box 248  
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Messer Law Firm  
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P.O. Box 1876  
Tallahassee, FL 32302-1876

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY OVERSIGHT  
BUREAU OF AUDITING SERVICES*

*Orlando District Office*

**SOUTH FLORIDA NATURAL GAS COMPANY**

**PURCHASED GAS ADJUSTMENT AUDIT**

**12-MONTH PERIOD ENDED DECEMBER 31, 2000**

**DOCKET NO. 010003-GU  
AUDIT CONTROL NO. 01-065-3-1**

Handwritten signature of Jeffery A. Small in black ink.

*Jeffery A. Small, Audit Manager*

Handwritten signature of Duane Chamberlin in black ink.

*Duane Chamberlin, Audit Staff*

Handwritten signature of Charleston J. Winston in black ink.

*Charleston J. Winston, Audit Supervisor*

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**DIVISION OF REGULATORY OVERSIGHT  
AUDITOR'S REPORT**

**June 15, 2000**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment schedules for the historical 12-month period ended December 31, 2000, for South Florida Natural Gas Company. These schedules were prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 010003-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Verify** - The item was tested for accuracy and compared to the substantiating documentation.

**Schedules A-1 through A-6** - Compiled and recomputed sample months from the company's Schedules A-1 through A-6 for the period January 2000 through December 2000.

**PGA Revenues** - Traced and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and general ledger. Recomputed a sample of customer bills to confirm that the company is using Commission-approved tariffs.

**Cost of Gas** - Verified therms and cost of gas purchased to the company-provided invoices.

**True-up** - Verified true-ups to Commission Order No. PSC-99-2443-FOF-GU, issued December 14, 2000. Verified that the correct interest rates were applied to under or over-recovered amounts for the 12 months ended December 31, 2000.

**Audit Exception Number 1**

**Subject: Purchased Gas Cost True-Up Adjustment**

**Statement of Facts:** The company's Purchased Gas Adjustment (PGA) filing for 2000 reports the following monthly amounts for its Total Estimated/Actual True-Up in Schedule A-2, Line 11.

<u>MONTH</u>	<u>TRUE-UP</u>	<u>MONTH</u>	<u>TRUE-UP</u>
Jan	\$16,657	Jul	(\$64,005)
Feb	\$5,336	Aug	(\$77,118)
Mar	(\$9,657)	Sep	(\$81,914)
Apr	(\$21,790)	Oct	(\$122,290)
May	(\$12,522)	Nov	(\$182,285)
Jun	(\$38,483)	Dec	(\$373,558)

Per 18 CFR 201, General Instructions 4 and 11A,

*Accounting period.* Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility.

*Accounting to be on an accrual basis.* The utility is required to keep its books on an accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts.

The company recorded a \$28,205 reduction in its March 2000 PGA filing for its Purchased Gas True-Up calculation in Schedule A-2, Line 10a which it identifies as an adjustment for Audit Exception No. 1 of audit staff's report for Docket No. 000003-GU, issued March 20, 2000.

The company recorded commodity gas costs of \$98,707 in its January 2000 PGA filing in Schedule A-1, Line 4.

**Recommendation:** The company's PGA filing Total Estimated/Actual True-Up on Schedule A-2, Line 11, at December 2000 is overstated by \$3,903 because of the following accounting errors.

- 1) The company did not reverse \$40,007.41 of unbilled revenues from therm sales which were accrued in its December 1999 PGA filing.
- 2) The company did not accrue \$48,048.98 of unbilled revenues from therm sales which should be included in its December 2000 PGA filing.
- 3) The company's Purchased Gas True-Up adjustment of \$28,205 for Audit Exception No. 1 discussed above was \$300 below the audit staff's recommended adjustment of \$28,505. (\$28,505 - \$28,205 = \$300)

Audit Exception No. 1 continued,

- 4) The company's commodity gas costs in its January 2000 PGA filing are understated by \$277 per vendor invoices provided by the company. ( $\$98,984 - \$98,707 = \$277$ )

The errors stated above affect the monthly true-up and interest provision calculations reported in Schedule A-2 of the company's filing. The audit staff has determined that the company has overstated its estimated/actual PGA revenues by \$3,903. The effects of these errors on the true-up factor for Schedule A-2, Line 11 in the January 1999 and all subsequent months of the company's filing are illustrated below.

Month	Actual/Estimated True-UP		
	Per Company	Per Audit	Difference
January	\$16,657	(\$24,252)	(\$40,909)
February	5,336	(35,771)	(41,107)
March	(9,657)	(51,267)	(41,610)
April	(21,790)	(63,612)	(41,822)
May	(12,522)	(54,566)	(42,044)
June	(38,483)	(80,756)	(42,273)
July	(64,005)	(106,507)	(42,502)
August	(77,118)	(119,848)	(42,730)
September	(81,914)	(124,876)	(42,962)
October	(122,290)	(165,491)	(43,201)
November	(182,285)	(225,745)	(43,460)
December	(\$373,558)	(\$369,655)	\$3,903

The monthly difference represents the cumulative sum of all monthly errors and its effect on the interest provision for all true-up calculations in subsequent months.

Small differences are due to rounding errors.

The Commission should require the company to reduce its 2000 estimated/actual true-up factor by \$3,903 and to record all its future PGA filings on an accrual basis per the CFR rules mentioned above.

Company: SOUTH FLORIDA NATURAL GAS		COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR						SCHEDULE A-1 EXHIBIT NO DOCKET NO. 000003-GU SOUTH FLA NATURAL GAS AK-1 PAGE OF	
ESTIMATED FOR THE PERIOD OF:		JANUARY 00 Through DECEMBER 00							
		CURRENT MONTH: DECEMBER				PERIOD TO DATE			
COST OF GAS PURCHASED		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
1	COMMODITY	2,076	1,716	359	20.92	12,832	12,443	490	3.94
2	NO NOTICE SERVICE	823	823	-	0.00	12,259	4,884	7,375	151.00
3	OTHER	-	-	-	0.00	(2,932)	-	(2,932)	0.00
4	COMMODITY (Other)	322,743	232,380	90,382	38.90	1,209,778	1,087,383	122,395	11.28
5	DEMAND	28,073	27,980	92	0.33	197,838	185,883	1,774	0.91
6	MGMT FEE	-	-	-	0.00	6,000	6,000	-	0.00
LESS END-USE CONTRACT									
7	COMMODITY (Pipeline)	-	-	-	0.00	-	-	-	0.00
8	DEMAND	-	-	-	0.00	-	-	-	0.00
9		-	-	-	0.00	-	-	-	0.00
10	Second Prior Month Adj. (OPTIONAL)	-	-	-	0.00	-	-	-	0.00
11	TOTAL COST (1+2+3+4+5+6+10)-(7+8+9)	353,714	282,880	90,833	34.55	1,435,675	1,306,573	129,101	9.88
12	NET UNBILLED	112,370	-	112,370	0.00	153,019	-	153,019	0.00
13	COMPANY USE	-	-	-	0.00	-	-	-	0.00
14	TOTAL THERM SALES	163,905	282,880	(98,975)	-37.65	1,044,649	1,311,615	(266,967)	-20.35
THERMS PURCHASED									
15	COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	435,120	359,910	75,210	20.90	2,950,420	2,820,800	129,620	4.60
16	NO NOTICE SERVICE BILLING DETERMINANTS ONLY	139,500	139,500	-	0.00	1,038,920	1,045,000	(6,080)	-0.58
17	SWING SERVICE COMMODITY	-	-	-	0.00	-	-	-	0.00
18	COMMODITY (Other) COMMODITY	437,700	370,001	67,700	18.30	2,980,770	2,842,030	118,741	4.18
19	DEMAND BILLING DETERMINANTS ONLY	745,550	745,550	-	0.00	5,232,890	5,236,360	(3,470)	-0.07
20	OTHER COMMODITY	-	-	-	0.00	-	-	-	0.00
LESS END-USE CONTRACT									
21	COMMODITY (Pipeline)	-	-	-	0.00	-	-	-	0.00
22	DEMAND	-	-	-	0.00	-	-	-	0.00
23		-	-	-	0.00	-	-	-	0.00
24	TOTAL PURCHASES (+17+18+20)-(21+23)	437,700	370,001	67,700	18.30	2,980,770	2,842,030	118,741	4.18
25	NET UNBILLED	-	-	-	0.00	-	-	-	0.00
26	COMPANY USE	-	-	-	0.00	-	-	-	0.00
27	TOTAL THERM SALES (24-26 ESTIMATED ONLY)	320,233	370,001	(49,767)	-13.45	2,867,344	2,842,030	25,315	0.89
CENTS PER THERM									
28	COMMODITY (Pipeline) (1/15)	0.477	0.477	0.000	0.02	0.438	0.441	(0.003)	-0.63
29	NO NOTICE SERVICE (2/16)	0.590	0.590	0.000	0.00	1.180	0.487	0.713	152.48
30	SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
31	COMMODITY (Other) (4/18)	73.736	62.800	10.936	17.41	40.860	38.261	2.599	6.79
32	DEMAND (5/19)	3.765	3.753	0.012	0.33	3.777	3.740	0.036	0.97
33	OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
LESS END-USE CONTRACT									
34	COMMODITY (Pipeline) (7/21)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
35	DEMAND (8/22)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
36		0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
37	TOTAL PURCHASES (11/24)	80.812	71.049	9.763	13.74	48.480	45.973	2.517	5.47
38	NET UNBILLED (12/25)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
39	COMPANY USE (13/26)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00
40	TOTAL COST OF THERMS SOLD (11/27)	110.455	71.049	39.406	55.48	50.070	45.973	4.097	8.91
41	TRUE-UP (E-2)	-5.170	-5.170	0.000	0.00	0.000	0.000	0.000	0.00
42	TOTAL COST OF GAS (40+41)	105.285	65.879	39.406	59.82	50.070	45.973	4.097	8.91
43	REVENUE TAX FACTOR	1.005030	1.005030	0.000	0.00	1.005030	1.005030	0.000	0.00
44	PGA FACTOR ADJUSTED FOR TAXES (42*43)	105.815	66.210	39.605	59.82	50.322	46.204	4.117	8.91
45	PGA FACTOR ROUNDED TO NEAREST .001	105.815	66.210	39.605	59.82	50.322	46.204	4.117	8.91

EXHIBIT I

L7



Company: SOUTH FLORIDA NATURAL GAS

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2

EXHIBIT NO \_\_\_\_\_

JANUARY 00 Through DECEMBER 00

DOCKET NO. 000003-GU

SOUTH FLA NATURAL GAS

AK-1

PAGE OF

	CURRENT MONTH: DECEMBER				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST	322,743	232,360	(90,382)	-38.857%	1,215,778	1,093,383	(122,395)	-11.19
2 TRANSPORTATION COST	30,971	30,520	(451)	-1.478%	219,898	213,190	(6,708)	-3.15
3 TOTAL	353,714	262,880	(90,833)	-34.553%	1,435,676	1,306,573	(129,102)	-9.88
4 FUEL REVENUES (NET OF REVENUE TAX)	163,905	262,880	98,975	37.650%	1,044,649	1,311,615	266,967	20.35
5 TRUE-UP (COLLECTED) OR REFUNDED	11,840	11,840	-	0.000%	142,080	142,080	-	0.00
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ OR -) LINE 5)	175,745	274,720	98,975	36.028%	1,186,729	1,453,695	266,967	18.36
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(177,969)	11,840	189,809	1603.114%	(248,947)	147,122	396,069	269.21
8 INTEREST PROVISION - THIS PERIOD (21)	(1,464)	662	2,126	321.378%	(3,949)	7,510	11,458	152.58
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(182,285)	125,211	307,496	245.582%	49,623	113,321	63,698	56.21
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(11,840)	(11,840)	-	0.000%	(142,080)	(142,080)	-	0.00
10a FLEX RATE REFUND (if applicable)	-	-	-	-	(28,205)	-	-	-
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(373,558)	125,872	499,430	396.775%	(373,558)	125,873	499,430	396.77
<b>INTEREST PROVISION</b>								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(182,285)	125,211	307,496	245.582%				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(372,094)	125,211	497,304	397.174%				
14 TOTAL (12+13)	(554,379)	250,422	804,800	321.378%				
15 AVERAGE (50% OF 14)	(277,189)	125,211	402,400	321.378%				
16 INTEREST RATE - FIRST DAY OF MONTH	8.310%	6.310%	-	0.000%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.370%	6.370%	-	0.000%				
18 TOTAL (16+17)	12.680%	12.680%	-	0.000%				
19 AVERAGE (50% OF 18)	6.340%	6.340%	-	0.000%				
20 MONTHLY AVERAGE (19/12 Months)	0.528%	0.528%	-	0.000%				
21 INTEREST PROVISION (15*20)	(1,464)	662	2,126	321.378%				

EXHIBIT II