



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: June 27, 2003
TO: Division of Economic Regulation (Makin/Marshall)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 030003-GU; **Company Name:** Florida Public Utilities Co.; **Audit Purpose:** Purchase Gas Adjustment; **Audit Control No.** 03-063-4-2

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 the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Christopher Snyder
Florida Public Utilities Co., Gas Division
401 South Dixie Highway
West Palm Beach, FL 33402

Messer Law Firm
Norman H. Horton, Jr., Esq.
P. O. Box 1876
Tallahassee, FL 32302-1876

Mr. John T. English, President & CEO
Florida Public Utilities Co.
401 South Dixie Highway
West Palm Beach, FL 33402

DOCUMENT # 030003-GU DATE

5750 JUN 27 8

FILED IN THE CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Miami District Office

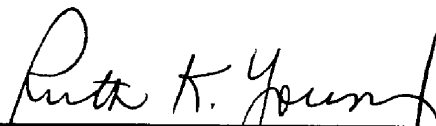
FLORIDA PUBLIC UTILITIES

PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2003

AUDIT CONTROL NO. 03-063-4-2

DOCKET NUMBER 030003-GU



Ruth K. Young, Audit Manager



Kathy L. Welch
Miami District Office Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	Purpose	1
	Disclaim Public Use	1
	Summary of Significant Procedures	2
II.	EXHIBITS	
	Company Filing for PGA for 12 months ended December 31, 2002	3

**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JUNE 24, 2003

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 year ending December 31, 2002. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 030003-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. There is confidential information associated with this report.

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 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.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

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

Revenues: Compiled purchased gas adjustment revenues for the 12-months ending December 31, 2002. Revenues for two months were traced to the company reconciliation sheets and then to the monthly revenue reports. The monthly therm amounts were agreed to the company monthly revenue reports. The conversion factors were verified and the amount used to bill the customers was compared to the cap approved by the Commission for this timed period. Off system sales amounts and therms were agreed to the monthly revenue reports and to the invoices sent to the customer. Pool manager revenues were recalculated.

Expenses: Compiled cost of gas expenses for the 12-months ending December 31, 2002. Examined all invoices for two months.

True-up and Interest: Recalculated the true-up and interest amount for the 12-months ending December 31, 2002. Traced interest rates to the Wall Street Journal.

FOR THE PERIOD OF: JANUARY 2002 THROUGH DECEMBER 2002

			CURRENT MONTH: DECEMBER				PERIOD TO DATE			
			ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
					AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION										
1	PURCHASED GAS COST	Sch. A-1 Line 4, Estimate include Sch. A-1 Line 10	2,084,299	1,722,926	(361,373)	(20.97)	13,189,038	14,165,560	976,522	6.89
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	512,932	502,634	(10,298)	(2.05)	3,815,423	3,953,007	137,584	3.48
3	TOTAL		2,597,231	2,225,560	(371,671)	(16.70)	17,004,461	18,118,567	1,114,106	6.15
4	FUEL REVENUES (NET OF REVENUE TAX)		2,264,854	2,221,725	(43,129)	(1.94)	15,852,460	18,078,930	2,226,470	12.32
5	TRUE-UP - (COLLECTED) OR REFUNDED *		30,502	30,502	0	0.00	366,020	366,020	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	2,295,356	2,252,227	(43,129)	(1.91)	16,218,480	18,444,950	2,226,470	12.07
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 3	(301,875)	26,667	328,542	1,232.02	(785,981)	326,383	1,112,364	340.82
8	INTEREST PROVISION -THIS PERIOD	Line 21	948	14,387	13,439	93.41	25,112	223,729	198,617	88.78
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST		1,044,231	13,333,836	12,289,605	92.17	1,839,691	13,160,296	11,320,605	86.02
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	(30,502)	(30,502)	0	0.00	(366,020)	(366,020)	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	Add Lines 7 + 8 + 9 + 10 + 10a	712,802	13,344,388	12,631,586	94.66	712,802	13,344,388	12,631,586	94.66
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND	Line 9	1,044,231	13,333,836	12,289,605	92.17	* NOTE If Line 5 is a refund enter as a positive number. If Line 5 is a collection, enter as a negative number.			
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	711,854	13,330,001	12,618,147	94.66				
14	TOTAL (12+13)	Add Lines 12 + 13	1,756,085	26,663,837	24,907,752	93.41				
15	AVERAGE	50% of Line 14	878,042	13,331,919	12,453,877	93.41				
16	INTEREST RATE - FIRST DAY OF MONTH		1.30%	1.30%	0	0.00				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		1.29%	1.29%	0	0.00				
18	TOTAL	Add Lines 16 + 17	2.59%	2.59%	0	0.00				
19	AVERAGE	50% of Line 18	1.30%	1.30%	0	0.00				
20	MONTHLY AVERAGE	Line 19 / 12 mos	0.10792%	0.10792%	0	0.00				
21	INTEREST PROVISION	Line 15 x Line 20	948	14,387	13,439	93.41				

Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up. The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.

4