



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 14, 2010
TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis **CP**
RE: Docket No.: 100004-GU
 Company Name: Indiantown Gas Company
 Company Code: GU606
 Audit Purpose: Gas Conservation Cost Recovery
 Audit Control No: 09-350-4-5

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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FLORIDA PUBLIC SERVICE COMMISSION

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING**

Miami District Office

**Indiantown Gas Company
Gas Energy Conservation Clause Audit**

Twelve Months Ended December 31, 2009

**DOCKET NO. 100004-GU
AUDIT CONTROL NO. 09-350-4-5**

Handwritten signature of Bety Maitre in cursive script.

**Bety Maitre
Audit Manager**

Handwritten signature of Kathy Welch in cursive script.

**Kathy Welch
Public Utility Supervisor**

TABLE OF CONTENTS

AUDITOR'S REPORT		PAGE
I.	PURPOSE	1
II.	OBJECTIVES AND PROCEDURES	2
III.	EXHIBITS	3
	Company Filing Calculation of True-up for 2009	4

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

June 8, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules, prepared by Indiantown Gas Company, in support of its filing for conservation Docket No. 100004-GU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

GENERAL

Objective: The objective of the audit was to reconcile the schedules to each other and to the general ledger.

Procedures: We prepared a trial balance using the general ledger and reconciled all conservation accounts to the filing.

TRUE-UP

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: We traced the beginning true-up provision to the last order and workpapers. We recalculated the ending true-up provision using the filing and Commission approved interest rates.

REVENUES

Objective: The objective of the audit was to determine that the company has applied the approved conservation cost recovery factors to actual therm sales and properly calculated revenues.

Procedures: Indiantown Gas Company does not record conservation revenues as a separate line item on the bill. It is included in the transportation charge on the bill along with an amount for fuel that is passed through from the supplier. Therefore, we determined that the conservation rate included in the energy charge rate agreed with the last conservation order. We then verified that the terms used to calculate the conservation revenues agreed to the company billing registers. The utilities new billing system is rounding its rates to two decimals and needs to extend them to five. The difference to the clause revenues is immaterial but the utility will be fixing its billing system.

EXPENSES

Objective: The objective of the audit was to determine that the actual energy conservation program expenses filed by the company agree with source documentation and meet the requirements of the programs.

Procedures: We reconciled the filing to the general ledger detail. We selected all of the vouchers recorded in the general ledger and traced them to source documentation.

We verified that the incentives paid by voucher met the program guidelines.

We reconciled all months of payroll to the time sheets.

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 SUMMARY OF EXPENSES BY PROGRAM BY MONTH
 FOR MONTHS: JANUARY 2009 THROUGH DECEMBER 2009

EXPENSES:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
PROGRAM 1: Residential New Construction Program	131	1,075	90	130	575	60	0	0	704	357	90	347	3,561
PROGRAM 2: Residential Appliance Replacement Program	131	1,075	90	580	575	60	75	75	804	357	90	347	4,261
PROGRAM 3: Residential Appliance Retention Program	481	1,375	440	130	1,325	160	625	1,425	1,054	457	290	1,147	8,911
PROGRAM 4: Conservation Education	0	0	0	0	1,800	0	0	0	0	0	0	3,000	4,800
TOTAL	742	3,525	620	841	4,276	280	775	1,575	2,563	1,170	470	4,842	21,682
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	742	3,525	620	841	4,276	280	775	1,575	2,563	1,170	470	4,842	21,682

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

CONSERVATION REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(783)	(748)	(602)	(1,535)	(974)	(601)	(286)	(427)	(320)	(250)	(402)	(767)	(7,696)
4. TOTAL REVENUES	(783)	(748)	(602)	(1,535)	(974)	(601)	(286)	(427)	(320)	(250)	(402)	(767)	(7,696)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(2,826)	(33,917)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(3,609)	(3,574)	(3,428)	(4,361)	(3,801)	(3,427)	(3,113)	(3,253)	(3,147)	(3,077)	(3,229)	(3,593)	(41,613)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	742	3,525	620	841	4,276	280	775	1,575	2,563	1,170	470	4,842	21,682
8. TRUE-UP THIS PERIOD	(2,867)	(49)	(2,808)	(3,520)	476	(3,147)	(2,338)	(1,678)	(583)	(1,907)	(2,758)	1,248	(19,930)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(19)	(21)	(17)	(12)	(9)	(8)	(8)	(6)	(5)	(5)	(4)	(4)	(118)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(33,917)	(33,976)	(31,220)	(31,218)	(31,924)	(28,631)	(28,960)	(28,478)	(27,336)	(25,099)	(24,184)	(24,120)	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826	2,826	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(33,976)	(31,220)	(31,218)	(31,924)	(28,631)	(28,960)	(28,478)	(27,336)	(25,099)	(24,184)	(24,120)	(20,049)	(20,049)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

INTEREST PROVISION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. BEGINNING TRUE-UP	(33,917)	(33,976)	(31,220)	(31,218)	(31,924)	(28,631)	(28,960)	(28,478)	(27,336)	(25,099)	(24,184)	(24,120)	
2. ENDING TRUE-UP BEFORE INTEREST	(33,958)	(31,199)	(31,201)	(31,912)	(28,622)	(28,952)	(28,471)	(27,330)	(25,093)	(24,179)	(24,115)	(20,045)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(67,875)	(65,175)	(62,421)	(63,129)	(60,546)	(57,583)	(57,430)	(55,808)	(52,430)	(49,277)	(48,299)	(44,165)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(33,937)	(32,588)	(31,210)	(31,565)	(30,273)	(28,791)	(28,715)	(27,904)	(26,215)	(24,639)	(24,150)	(22,082)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.54%	0.79%	0.75%	0.55%	0.40%	0.30%	0.35%	0.30%	0.25%	0.25%	0.22%	0.20%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.79%	0.75%	0.55%	0.40%	0.30% #	0.35% #	0.30% #	0.25% #	0.25% #	0.22% #	0.20% #	0.20%	
7. TOTAL (SUM LINES 5 & 6)	1.33%	1.54%	1.30%	0.95%	0.70%	0.65%	0.65%	0.55%	0.50%	0.47%	0.42%	0.40%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.67%	0.77%	0.65%	0.48%	0.35%	0.33%	0.33%	0.28%	0.25%	0.24%	0.21%	0.20%	
9. MONTHLY AVG INTEREST RATE	0.06%	0.06%	0.05%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(19)	(21)	(17)	(12)	(9)	(8)	(8)	(6)	(5)	(5)	(4)	(4)	(118)