

State of Florida



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-

COMMISSION
CLERK

JUL 12 PM 3:30

RECEIVED-FPSC

DATE: July 12, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120004-GU
 Company Name: Florida City Gas
 Company Code: GU602
 Audit Purpose: A3e Gas Conservation Cost Recovery
 Audit Control No: 12-010-4-6

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.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04641 JUL 12 2

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida City Gas
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2011

Docket No. 120004-GU
Audit Control No. 12-010-4-6
July 10, 2012

Gabriela M. Leon
Audit Manager

Kathy Welch
Reviewer

DOCUMENT NUMBER DATE

04641 JUL 12 2012

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 10, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2011 filing for the Gas Conservation Cost Recovery Clause in Docket No. 120004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida City Gas .
GCCR refers to the Gas Conservation Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual GCCR therms sold for the period January 1, 2011 through December 31, 2011, and whether the Utility applied the Commission approved GCCR rate to actual therm sales for the GCCR Clause.

Procedures: We reconciled the 2011 filing to the Utility's monthly GCCR Revenue Reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses. The source documentation for selected items was reviewed to ensure the expense was related to the GCCR and that the expense was charged to the correct accounts. Audit Finding 1 discusses our adjustment to remove certain expenses from the GCCR Clause.

True-up

Objective: The objective was to determine if the GCCR True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 GCCR revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Non-recoverable Meals Expense

Audit Analysis: Schedule CT-3 includes an invoice dated May 7, 2011 from Shorty's Bar-B-Q in the amount of \$1,575.19. This is not a recoverable conservation expense and it should have been charged to a Corporate Meals account.

Effect on the General Ledger: Since the 2011 books are closed, the \$1,575.19 should be removed from the true-up balance.

Effect on the Filing: Conservation Expenses on Schedule CT-3 should be decreased by \$1,575.19 and the Deferred Under-Recovery should also be decreased by the same amount.

Exhibit

Exhibit 1: True Up

SCHEDULE CT-3
PAGE 4 OF 5

Florida City Gas
DOCKET NO. 120004-GU
MB-1

**ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2011 THROUGH DECEMBER 2011**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(499,174)	(399,995)	(354,897)	(313,052)	(295,702)	(280,992)	(270,900)	(274,710)	(299,187)	(291,433)	(308,421)	(326,329)	(3,881,772)
4 TOTAL REVENUES	(499,174)	(399,995)	(354,897)	(313,052)	(295,702)	(280,992)	(270,900)	(274,710)	(299,187)	(291,433)	(308,421)	(326,329)	(3,881,772)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	115,326	115,326	115,326	115,326	115,326	115,326	115,326	115,326	115,326	115,324	115,324	115,324	1,383,906
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(363,648)	(281,859)	(239,571)	(197,726)	(160,376)	(165,656)	(155,574)	(159,384)	(163,861)	(176,109)	(193,097)	(211,005)	(2,497,866)
7 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	424,959	326,178	455,908	290,323	408,359	323,000	280,799	300,126	144,222	248,294	287,595	125,557	3,573,514
8 TRUE-UP THIS PERIOD	41,111	44,518	216,335	52,797	225,983	157,343	125,226	140,741	(9,639)	72,184	94,498	(85,448)	1,075,848
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	283	298	246	210	200	183	172	116	70	66	103	62	1,999
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	1,383,911	1,309,979	1,239,437	1,340,891	1,278,372	1,389,229	1,431,429	1,441,501	1,467,033	1,342,138	1,299,064	1,278,341	
11 PRIOR PERIOD TRUE UP													
COLLECTED(REFUNDED)	(115,326)	(115,326)	(115,326)	(115,326)	(115,326)	(115,326)	(115,326)	(115,326)	(115,326)	(115,324)	(115,324)	(115,324)	
12 TOTAL NET TRUE UP (SUM LINES 6-9+10-11)	1,309,979	1,239,437	1,340,691	1,278,372	1,389,229	1,431,429	1,441,501	1,467,033	1,342,138	1,299,064	1,278,341	1,077,962	1,077,852

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2011 THROUGH DECEMBER 2011

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
INTEREST PROVISION													
1. BEGINNING TRUE-UP	1,383,911	1,308,979	1,239,437	1,340,891	1,278,372	1,389,229	1,431,429	1,441,501	1,467,033	1,342,138	1,299,064	1,278,341	
2. ENDING TRUE-UP BEFORE INTEREST	1,308,886	1,238,169	1,340,448	1,278,162	1,389,028	1,431,248	1,441,329	1,468,917	1,342,068	1,298,988	1,278,238	1,077,579	
3. TOTAL BEGINNING & ENDING TRUE-UP	2,693,807	2,548,148	2,579,882	2,618,853	2,667,400	2,820,474	2,872,758	2,908,418	2,809,100	2,641,138	2,577,302	2,355,911	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	1,346,804	1,274,574	1,289,941	1,309,426	1,333,700	1,410,237	1,436,379	1,454,209	1,404,550	1,320,668	1,288,651	1,177,956	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.250%	0.250%	0.250%	0.200%	0.190%	0.160%	0.160%	0.120%	0.070%	0.040%	0.060%	0.060%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.250%	0.250%	0.200%	0.190%	0.160%	0.160%	0.120%	0.070%	0.040%	0.030%	0.060%	0.070%	
7. TOTAL (SUM LINES 5 & 6)	0.500%	0.500%	0.450%	0.390%	0.350%	0.320%	0.280%	0.190%	0.110%	0.130%	0.160%	0.190%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.250%	0.250%	0.225%	0.195%	0.175%	0.160%	0.140%	0.095%	0.055%	0.065%	0.080%	0.080%	
9. MONTHLY AVG INTEREST RATE	0.021%	0.021%	0.019%	0.016%	0.015%	0.013%	0.012%	0.008%	0.008%	0.005%	0.008%	0.007%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	283	288	245	210	200	183	172	116	70	86	103	82	1,999
10. a. INT. ADJ													