

State of Florida



**Public Service Commission**

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

**Auditor's Report**

Florida City Gas  
Purchased Gas Cost Recovery

**Twelve Months Ended December 31, 2013**

Docket No. 140003-GU  
Audit Control No. 14-010-4-2

**July 15, 2014**

A handwritten signature in blue ink, appearing to read "Yen N. Ngo", written over a horizontal line.

Yen N. Ngo  
Audit Manager

A handwritten signature in blue ink, appearing to read "Jeffery A. Small", written over a horizontal line.

Jeffery A. Small  
Reviewer

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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 Economics in its audit service request dated January 9, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2013 filing for the Purchased Gas Cost Recovery Clause in Docket No. 140003-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 Florida City Gas.

PGA refers to the Purchased Gas Cost Recovery.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

**Procedures:** We traced PGA Revenues reported on the Utility's 2013 filing to the general ledger. We recomputed the monthly PGA Revenues using the proper net of tax revenue factor. A random sample of residential and commercial customers' bills was reviewed in the Gas Conservation Cost Recovery Clause audit to verify the correct rates were used. We traced unbilled revenues to the summary report. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether the operation and maintenance (O&M) expenses listed on Schedule A-2 of the Utility's filing were supported by adequate documentation and that the expenses are appropriately recoverable through the PGA Clause.

**Procedures:** We traced expenses from the filing to the general ledger. We selected a sample of gas purchase and transportation costs and traced them to supporting invoices. No exceptions were noted.

### **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

**Procedures:** We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 PGA revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objectives:** The objective was to perform an analytical review of the Utility's PGA revenues and expenses to determine whether there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2013 to 2012 revenues and expenses. We requested explanations from the Utility for variances. Explanations provided were sufficient. No exceptions were noted.

Audit Findings

**None**

Exhibit

**Exhibit 1: True Up**

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FLORIDA CITY GAS		FOR THE PERIOD OF: JANUARY 2013 THROUGH DECEMBER 2013				(REVISED 6/09/84)			
		CURRENT MONTH: 12/13		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
<b>TRUE-UP CALCULATION</b>									
1	PURCHASED GAS COST (Sch A-1 Fix down line 4+6)	1,080,689	1,391,088	310,499	22.32%	15,690,676	16,270,682	688,987	4.23%
2	TRANSP GAS COST (Sch A-1 Fix down line 1+2+3+5)	1,278,630	943,828	(332,702)	-35.25%	10,318,888	8,372,888	(1,947,000)	-23.25%
3	TOTAL	2,357,119	2,334,916	(22,203)	-0.95%	25,910,274	24,652,261	(1,258,013)	-5.10%
4	FUEL REVENUES (Sch A-1 Fix down line 14) (NET OF REVENUE TAX)	2,221,204	2,333,696	112,482	4.82%	25,102,604	24,637,819	(464,685)	-1.89%
5	TRUE-UP (COLLECTED) OR REFUNDED	(23,956)	(23,956)	-	0.00%	(287,488)	(287,488)	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,197,248	2,309,740	112,482	4.87%	24,815,038	24,350,353	(464,685)	-1.91%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(159,871)	(25,176)	134,695	-535.02%	(1,085,238)	(301,808)	783,328	-262.77%
8	INTEREST PROVISION-THIS PERIOD (21)	45	(15)	(60)	400.00%	1,139	(376)	(1,515)	402.93%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,577,789	(511,894)	(2,089,683)	408.23%	1,120,310	(488,311)	(1,618,621)	324.82%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	23,858	23,858	-	0.00%	287,488	287,488	-	0.00%
10a	PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-	-	-	-
10b	MARGIN SHARING, REFUNDS & END OF PERIOD ADJ	(14,933)	-	14,933	-	1,113,307	-	(1,113,307)	-
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (2+6+8+10+10a+10b)	1,428,888	(513,129)	(1,940,115)	378.08%	1,428,888	(513,129)	(1,940,115)	378.08%
<b>INTEREST PROVISION</b>									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	1,577,789	(511,894)	(2,089,683)	408.23%				
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	1,428,941	(513,114)	(1,940,055)	378.08%				
14	TOTAL (12+13)	3,004,729	(1,025,008)	(4,028,738)	383.14%				
15	AVERAGE (50% OF 14)	1,502,365	(512,504)	(2,014,869)	383.14%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.00050	0.00050	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00030	0.00030	-	0.00%				
18	TOTAL (16+17)	0.00080	0.00080	-	0.00%				
19	AVERAGE (50% OF 18)	0.00040	0.00040	-	0.00%				
20	MONTHLY AVERAGE (18/12 Months)	0.00003	0.00003	-	0.00%				
21	INTEREST PROVISION (15x20)	45	(15)	(60)	400.00%				

\* If line 5 is a refund add to line 4  
If line 6 is a collection ( ) subtract from line 4