

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-

DATE: June 2, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150004-GU
Company Name: Florida City Gas
Company Code: GU602
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 15-012-1-6

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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

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

Auditor's Report

Florida City Gas
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2014

Docket No. 150004-GU
Audit Control No. 15-012-1-6
May 19, 2015

A handwritten signature in black ink, appearing to read "George Simmons", written over a horizontal line.

George Simmons
Audit Manager

A handwritten signature in black ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
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 12, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-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

FCG/Utility refers to the Florida City Gas.

GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-13-0613-FOF-GU, issued November 20, 2013, and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

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

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts, and appropriately related to the GCCR. We traced cash incentive payments to allowances approved in Order No. PSC-10-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-14-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

True-up

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

Procedures: We traced the December 31, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial Commercial Paper rates, and the 2014 GCCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2014 to 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE CT-3
PAGE 4 OF 5

Florida City Gas
DOCKET NO. 150004-GU
MB-1
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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST
PROVISION JANUARY 2014 THROUGH DECEMBER 2014

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec 14	Total
RCS AUDIT FEES													
2 OTHER PROGRAM REVS													
3 CONSERV. ADJ REVS	(433,032)	(468,292)	(407,295)	(375,761)	(347,955)	(327,627)	(319,695)	(312,574)	(313,537)	(303,154)	(348,232)	(433,691)	(4,390,844)
4 TOTAL REVENUES	(433,032)	(468,292)	(407,295)	(375,761)	(347,955)	(327,627)	(319,695)	(312,574)	(313,537)	(303,154)	(348,232)	(433,691)	(4,390,844)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(141,485)	(1,697,820)
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(574,517)	(809,777)	(548,780)	(517,246)	(489,440)	(489,112)	(481,180)	(454,059)	(455,022)	(444,639)	(489,717)	(575,176)	(6,088,664)
CONSERVATION EXPENSES													
7 (FROM CT-3, PAGE 1)	296,811	358,481	445,048	371,985	659,091	405,414	596,397	283,022	652,523	413,654	518,292	342,474	5,343,191
8 TRUE-UP THIS PERIOD	(277,705)	(251,296)	(103,733)	(145,261)	169,651	(63,698)	135,217	(171,037)	197,501	(30,985)	28,575	(232,702)	(745,472)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(53)	(76)	(96)	(95)	(70)	(78)	(69)	(63)	(44)	(35)	(37)	(42)	(759)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(1,697,819)	(1,834,092)	(1,943,979)	(1,906,323)	(1,910,194)	(1,599,128)	(1,521,419)	(1,244,786)	(1,274,401)	(935,459)	(824,994)	(654,971)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	141,485	141,485	141,485	<u>141,485</u>	141,485	141,485	141,485	141,485	141,485	141,485	141,485	141,485	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(1,834,092)	(1,943,979)	(1,906,323)	(1,910,194)	(1,599,128)	(1,521,419)	(1,244,786)	(1,274,401)	(935,459)	(824,994)	(654,971)	(746,230)	(746,231)

CALCULATION OF TRUE-UP AND INTEREST
PROVISION JANUARY 2014 THROUGH
DECEMBER 2014

INTEREST PROVISION	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
1. BEGINNING TRUE-UP	(1,697,819)	(1,834,092)	(1,943,979)	(1,906,323)	(1,910,194)	(1,599,128)	(1,521,419)	(1,244,786)	(1,274,401)	(935,459)	(824,994)	(654,971)	
2. ENDING TRUE-UP BEFORE INTEREST	(1,834,039)	(1,943,903)	(1,906,227)	(1,910,099)	(1,599,058)	(1,521,341)	(1,244,717)	(1,274,338)	(935,415)	(824,959)	(654,934)	(746,188)	
3. TOTAL BEGINNING & ENDING TRUE-UP	{3,531,858}	{3,777,996}	{3,850,206}	{3,816,422}	{3,509,252}	{3,120,470}	{2,766,136}	{2,519,124}	{2,209,816}	{1,760,418}	{1,479,928}	{1,401,159}	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(1,765,929)	(1,888,998)	(1,925,103)	(1,908,211)	(1,754,626)	(1,560,235)	(1,383,068)	(1,259,562)	(1,104,908)	(880,209)	(739,964)	(700,580)	
5. INTER. RATE- 1ST DAY OF REPORTING MONTH	0.030%	0.050%	0.050%	0.060%	0.050%	0.050%	0.060%	0.070%	0.060%	0.040%	0.060%	0.070%	
6. INTER. RATE -1ST DAY OF SUBSEQUENT MONTH	0.050%	0.050%	0.060%	0.050%	0.050%	0.060%	0.070%	0.060%	0.040%	0.060%	0.070%	0.080%	
7. TOTAL (SUM LINES 5 & 6)	0.080%	0.100%	0.110%	0.110%	0.100%	0.110%	0.130%	0.130%	0.100%	0.100%	0.130%	0.150%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.040%	0.050%	0.055%	0.055%	0.050%	0.055%	0.065%	0.065%	0.050%	0.050%	0.065%	0.075%	
9. MONTHLYAVG INTEREST RATE	0.003%	0.004%	0.005%	0.005%	0.004%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.006%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(53)	(76)	(96)	(95)	(70)	(78)	(69)	(63)	(44)	(35)	(37)	(42)	(759)
10. a. INT. ADJ													