

MEMORANDUM

December 12, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 950002-EG -- WEST FLORIDA NATURAL GAS COMPANY
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1995
AUDIT CONTROL NO. 95-223-1-2

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

West Florida Natural Gas Company
J. E. McIntyre
Post Office Box 1460
Panama City, FL 32402-1460

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Ging)
Tallahassee District Office (Grayson)

Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1995

FIELD WORK COMPLETED

DECEMBER 8, 1995

WEST FLORIDA NATURAL GAS COMPANY

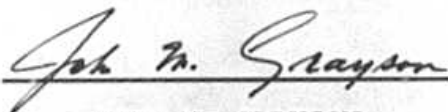
PANAMA CITY, FLORIDA

BAY COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT

DOCKET NUMBER - 950002-EG

AUDIT CONTROL NUMBER 95-223-1-2



JOHN M. GRAYSON
AUDIT MANAGER

DOCUMENT NUMBER-DATE

12516 DEC 13 88

FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report and have recalculated the true-up and interest exhibits filed by West Florida Natural Gas Company in support of Docket 950002-EG for the twelve month period ended September 30, 1995, to determine that the exhibits represent the utility's books and records and those books and records are maintained in compliance with Commission directives and that facts which may influence the Commission's decision process are disclosed.

SCOPE LIMITATION: An audit exit conference was held December 8, 1995. There are no confidential documents associated with the audit report.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied on 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 audit standards and produce audited financial statements for public use.

OPINION: Subject to the audit disclosures; the ECCR exhibits for the twelve months ended September 30, 1995 represent West Florida Natural Gas Company's books and records maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

SUMMARY FINDINGS:

The Company included legal costs related to Demand Side Management in its conservation expenses.

The Company is applying conservation rebates against its customers non-regulated accounts.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report,

COMPILED means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as noted performed no other audit work.

SCOPE OF WORK PERFORMED

CONSERVATION REVENUES: Compiled conservation revenues; verified that the Company has used the Commission approved ECCR factors as set forth in Commission Orders No. PSC-95-0398-FOF-EG; obtained a copy of the sales journal for November 1994; recalculated the conservation revenue for each rate class for November 1994 and traced the conservation revenue to the general ledger.

CONSERVATION EXPENSES: Compiled conservation expenses; obtained a copy of the conservation expense report for December 1994 for both operating divisions; traced the December 1994 divisional expense reports to the summary conservation expense report, traced the summary conservation expense report to the general ledger; judgementally selected and read invoices supporting incentive payments, advertising expenses, and salesman bonuses for December 1994 for both operating divisions.

OTHER: Recomputed Company true-up and interest provision. Read all invoices for legal expenses included for conservation recovery.

III. AUDIT DISCLOSURES

AUDIT DISCLOSURE NO. 1

SUBJECT: LEGAL EXPENSES

STATEMENT OF FACT: The company has included \$527 of legal expenses related to Demand Side Management in its conservation expenses.

FPSC Order PSC-95-0398-FOF-EG refers to Section 366.82.(5), Florida Statutes, which specifically provides for recovery of the costs of audits, conservation programs, and the implementation of a utility's conservation plan.

OPINION: Since Demand Side Management is not an approved conservation program, the related legal expenses should not be recovered through the ECCR Clause.

COMPANY COMMENT: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: CONSERVATION REBATES

STATEMENT OF FACT: The Residential Electric Appliance Replacement Program offers customers an installation allowance to assist in defraying the additional cost of gas piping and appliance venting required when converting from electric to energy conserving natural gas appliances. During the review of customer incentive vouchers for December 1994, the audit staff found numerous instances where the customer incentive was not supported by a check to the customer. Upon further review, the audit staff found that these customers had signed an authorization which allowed the conservation payment to be applied against their non-regulated account.

Utility personnel represents that the non-regulated entity is providing water heaters to customers at no charge in exchange for the conservation payment.

OPINION: The disclosure is to provide information on the method in which customer incentives are being distributed.

COMPANY COMMENT: The Company may respond at a later date.

COMPANY: WEST FLORIDA NATURAL GAS COMPANY
FOR MONTHS: OCTOBER 1994 THROUGH SEPTEMBER 1995

CONSERVATION REVENUES	MONTH OCT	MONTH NOV	MONTH DEC	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	(3,797)	(3,074)	(3,301)	(3,471)	(3,185)	(3,405)	(2,859)	(3,076)	(2,110)	(2,146)	(5,377)	(3,412)	(39,873)
3. CONSERV. ADJ REVS	(28,412)	(43,513)	(51,629)	(102,514)	(106,611)	(72,113)	(45,275)	(30,824)	(29,833)	(28,393)	(27,150)	(26,668)	(592,727)
4. TOTAL REVENUES	(32,209)	(47,386)	(54,930)	(105,966)	(109,796)	(75,578)	(47,933)	(33,701)	(31,943)	(30,539)	(32,527)	(30,072)	(632,600)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(15,232)	(182,780)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(47,441)	(62,618)	(70,162)	(121,217)	(125,028)	(90,810)	(63,165)	(48,932)	(47,175)	(45,771)	(47,258)	(45,304)	(815,380)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	53,243	48,151	70,675	69,424	62,698	46,481	50,603	55,729	69,529	51,779	50,864	50,442	679,618
8. TRUE-UP THIS PERIOD	5,802	(14,466)	513	(51,793)	(62,330)	(44,329)	(12,562)	6,787	22,354	6,008	3,106	5,138	(135,762)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(722)	(721)	(753)	(838)	(1,055)	(1,255)	(1,331)	(1,270)	(1,120)	(968)	(855)	(770)	(11,663)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(182,780)	(162,468)	(162,424)	(147,431)	(184,831)	(232,984)	(263,336)	(261,998)	(241,239)	(204,781)	(184,509)	(167,027)	(1,670,271)
11. PW/R TRUE-UP COLLECTED/(REFUNDED)	15,232	15,232	15,232	15,232	15,232	15,232	15,232	15,232	15,232	15,232	15,232	15,232	(11,663)
12. TOTAL NET TRUE-UP (SUM LINES 8 + 10 + 11)	(162,468)	(162,424)	(147,431)	(184,831)	(232,984)	(263,336)	(261,998)	(241,239)	(204,781)	(184,509)	(167,027)	(147,427)	(1,474,271)

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State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

December 13, 1995

Mr. J. E. McIntyre
West Florida Natural Gas Company
Post Office Box 1460
Panama City, Florida 32402-1460

Dear Mr. McIntyre:

RE: Docket No. 950002-EG -- West Florida Natural Gas Company
Conservation Audit Report - Period Ended September 30, 1995
Audit Control #95-223-1-2

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Sincerely,

A handwritten signature in cursive script that reads "Blanca S. Bayo".

Blanca S. Bayo

BSB/mas
Enclosure
cc: Public Counsel
Messer Law Firm