

Florida Public Service Commission

Audit Report

As of September 30, 1996

Field Work Completed

November 13, 1996

South Florida Natural Gas Company

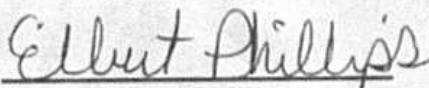
Miami, Florida

Dade County

Purchased Gas Adjustment Audit

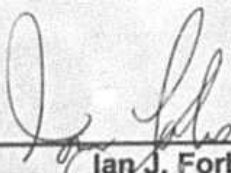
Docket No. 960003-GU

Audit Control Number 96-151-3-3



**Elbert Phillips
Audit Manager**

**Audit Staff
Charleston J. Winston**



**Ian J. Forbes
Regulatory Analyst Supervisor
Orlando District Office**

**Minority Opinion
Yes_ No**

for

**DOCUMENT NUMBER-DATE
13116 DEC-96
FPSC-RECORDS/REPORTING**

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I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the Company-appended exhibit for the twelve-month period ending September 30, 1996, Purchased Gas Adjustment schedules. These procedures were to determine that the exhibit represents Company books, that the books are maintained in compliance with Commission directives, and that the facts which may influence the Commission decision process are disclosed.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional audit work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, the attached Schedule A-1 reflects the Company books and records for the period ending September 30, 1996, which are maintained in substantial compliance with Commission directives.

SUMMARY FINDINGS:

Exceptions

The Company failed to record franchise fees as revenues resulting in understating regulatory assessment fees by \$114.

II. Audit Scope

This report is based on the audit work described below. When compiled is used in this section of the report, it defines completed audit work as follows:

Compiled: 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.

A SCHEDULES: Compiled and recomputed the Company's A schedules for the months of October and November 1995, and January, March, May, and September 1996.

PGA REVENUES: Traced term sales for the aforementioned months to Company's billing register and recomputed.

COST OF GAS: Traced terms and cost of gas to the Company's invoices.

TRUE-UP: Verified monthly booking of true-up. Recomputed amounts per Company submitted filing and reconciled beginning true-ups to Commission Order Numbers PSC-95-0350-FOF-GU and PSC-96-0323-FOF-GU. Verified that the correct interest rates were applied to under or overrecovered amounts for the twelve months ended September 30, 1996.

REVENUES: Traced revenues to Company's general ledger and verified the revenues were recorded in accordance with Division of Auditing & Financial Analysis's memorandum dated September 11, 1995.

AUDIT EXCEPTION NUMBER 1

SUBJECT: REGULATORY ASSESSMENT FEES

FACTS: In a memorandum dated September 11, 1995, from the director of Auditing and Financial Analysis Department (AFAD) the Company was informed that as of January 1, 1996, that franchise fees should be recorded as revenues on its regulatory assessment fees (RAF) return. The Company did not do as directed per this memorandum by not including franchise fees on their RAF return for the period January 1, 1996 to June 30, 1996.

OPINION AND RECOMMENDATION: For the six-month period ending June 30, 1996, the Company did not include \$30,563.99 for franchise fees on its RAF return. The amount of RAF omitted was \$114.61 ($30,563.99 \times .375\%$). The Commission should require the Company to include the \$30,563.99 on its RAF return for the six-month period ending December 31, 1996.

COMPANY: SOUTH FLORIDA NAT GAS

COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE
OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTORSCHEDULE A-1
EXHIBIT NO. _____
DOCKET NO. 860003-GU
SOUTH FLA NATURAL GAS
LD-1

ESTIMATED FOR THE PERIOD OF:

APRIL 98 Through MARCH 97

PAGE OF

COST OF GAS PURCHASED	CURRENT MONTH: SEPTEMBER				PERIOD TO DATE				
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
1 COMMODITY (Pipeline)	972	816	156	19.12	6,712	6,047	665	11.00	
2 NO NOTICE SERVICE	208	208	0	0.00	1,432	1,699	(237)	-14.20	
3 SWING SERVICE	0	0	0	0.00	0	0	0	0.00	
4 COMMODITY (Other)	43,980	31,410	12,570	40.02	231,783	186,691	45,092	24.15	
5 DEMAND	5,525	4,929	596	12.09	38,168	36,520	1,648	4.51	
6 FGT REFUND	0	0	0	0.00	0	0	0	0.00	
LESS END-USE CONTRACT									
7 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
8 DEMAND	0	0	0	0.00	0	0	0	0.00	
9	0	0	0	0.00	0	0	0	0.00	
10 Second Prior Month Purchase Adj. (OPTIONAL)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL COST (1+2+3+4+5+6+10)-(7+8+9)	50,685	37,383	13,322	35.68	278,095	230,927	47,168	20.43	
12 NET UNBILLED	(7,214)	0	(7,214)	0.00	(33,070)	0	(33,070)	0.00	
13 COMPANY USE	0	0	0	0.00	0	0	0	0.00	
14 TOTAL THERM SALES	35,292	27,989	7,303	26.09	253,170	174,683	78,487	44.93	
THERMS PURCHASED									
15 COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	127,190	113,803	13,387	11.78	878,620	843,251	35,369	4.19	
16 NO NOTICE SERVICE BILLING DETERMINANTS ONLY	30,000	30,000	0	0.00	206,300	240,400	(34,100)	-14.18	
17 SWING SERVICE COMMODITY	0	0	0	0.00	0	0	0	0.00	
18 COMMODITY (Other) COMMODITY	127,190	113,803	13,387	11.78	878,620	843,251	35,369	4.19	
19 DEMAND BILLING DETERMINANTS ONLY	127,190	113,803	13,387	11.78	878,620	843,251	35,369	4.19	
20 OTHER COMMODITY	0	0	0	0.00	0	0	0	0.00	
LESS END-USE CONTRACT									
21 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
22 DEMAND	0	0	0	0.00	0	0	0	0.00	
23	0	0	0	0.00	0	0	0	0.00	
24 TOTAL PURCHASES (+17+18+20)-(21+23)	127,190	113,803	13,387	11.78	878,620	843,251	35,369	4.19	
25 NET UNBILLED	(22,221)	0	(22,221)	0.00	(147,030)	0	(147,030)	0.00	
26 COMPANY USE	190	120	70	58.33	808	720	88	11.94	
27 TOTAL THERM SALES (24-26 ESTIMATED ONLY)	108,711	113,683	(4,972)	-4.37	890,007	842,531	47,476	5.63	
CENTS PER THERM									
28 COMMODITY (Pipeline) (1/15)	0.764	0.717	0.047	6.58	0.764	0.717	0.047	6.529	
29 NO NOTICE SERVICE (2/16)	0.693	0.693	0.000	0.00	0.694	0.694	-0.000	-0.018	
30 SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	
31 COMMODITY (Other) (4/18)	34.578	27.600	6.978	25.28	28.380	22.139	4.241	19.155	
32 DEMAND (5/19)	4.344	4.331	0.013	0.29	4.344	4.331	0.013	0.305	
33 OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	
LESS END-USE CONTRACT									
34 COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
35 DEMAND (8/22)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
36	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
37 TOTAL COST OF PURCHASES (11/24)	39.850	32.831	7.019	21.38	31.651	27.385	4.266	15.58	
38 NET UNBILLED (12/25)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
39 COMPANY USE (13/26)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
40 TOTAL COST OF THERMS SOLD (11/27)	48.624	32.866	13.758	41.86	31.248	27.409	3.838	14.00	
41 TRUE-UP (E-2)	-5.091	-5.091	0.000	0.00	-5.091	-5.091	0.000	0.00	
42 TOTAL COST OF GAS (40+41)	41.533	27.775	13.758	49.53	26.155	22.318	3.838	17.20	
43 REVENUE TAX FACTOR	1.003764	1.003764	0.000	0.00	1.003764	1.003764	0.000	0.00	
44 PGA FACTOR ADJUSTED FOR TAXES (42x43)	41.689	27.879	13.809	49.53	26.254	22.402	3.852	17.20	
45 PGA FACTOR ROUNDED TO NEAREST .001	41.689	27.879	13.810	49.54	26.254	22.402	3.852	17.19	

EXHIBIT I

State of Florida



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

DIVISION OF RECORDS &
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BLANCA S. BAYO
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Public Service Commission

December 11, 1996

Mr. J. Peter Martin
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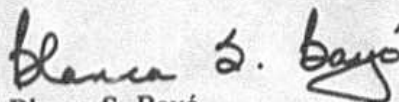
RE: Docket No. 960003-GU -- South Florida Natural Gas Company
PGA Audit Report - Period Ended September 30, 1996
Audit Control # 96-151-3-3

Dear Mr. Martin:

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.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/clis
Enclosure
cc: Public Counsel
Messer Law Firm