

**Florida Public Service Commission**

**Audit Report**

**Twelve months ended September 30, 1997**

**Field work completed**

**October 28, 1997**

**FLORIDA PUBLIC UTILITIES COMPANY**

**Palm Beach County**

**Purchased Gas Adjustment Clause Audit**

**Docket Number 970003-GU**

**DAFA No. 97-160-4-2**

  
**Raymond Grant**  
**Audit Manager**

  
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**Regulatory Analyst Supervisor**  
**Miami District Office**

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## **I. EXECUTIVE SUMMARY**

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to audit the appended Purchased Gas Adjustment schedules prepared in support of Docket 970003-GU for the twelve month period ended September 30, 1997. The audit exit conference was held on November 21, 1997. This report is based on confidential data filed with the Commission Clerk.

**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 work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

**OPINION:** The Purchased Gas Adjustment schedule A-2 for the six month period ended March 31, 1997 and Schedule A-2 for the six month period ended September 30, 1997 represent the 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.

## **II. AUDIT SCOPE**

The opinions contained in this report are based on the audit work described below. When used in this report, the following definitions shall apply:

**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.

### **COST OF GAS**

Compiled gas costs from the Trial Balance by account and agreed to A-2 and A-1. Invoices were examined for the months of October 1996 through September 1997.

### **REVENUES**

Compiled gas revenues from Trial Balance and agreed to A-2. Recalculated revenues for the months, of February 1997, March 1997, April 1997 and June 1997 using the terms sold per Revenue Sheets Reports and applying the PGA billing factor for the month. The PGA billing factor was reviewed to determine if it was less than the CAP factor in the FPSC order.

The components of the PGA billing factor were reviewed to determine if the correct True-up Amount per FPSC order was used and how the Cost of Gas Purchased component was calculated for the specific month.

Reconciled total revenues including franchise fees-revenues for January through June 1997 to the Regulatory Assessment Fee (RAF) return to verify that franchise fees are included on RAF return.

### **RECALCULATION OF A-2**

Recalculated the true-up and the interest calculation and traced the interest rates used to the Wall Street Journal. Traced prior True-up amount to Commission Order, and True-up and Interest Beginning to prior six month filing.

### III. COMPANY EXHIBITS

FOR THE PERIOD OF: APRIL 1996 Through MARCH 1997

	CURRENT MONTH:		MARCH 1997		PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE (3)	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (Sch. A-1 Line 4)	779,279	1,547,040	767,761	49.63	12,090,268	13,511,335	1,421,067	10.52	
2 TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	678,995	604,531	(74,464)	(12.32)	5,191,286	3,720,762	(1,470,524)	(39.52)	
3 TOTAL	1,458,274	2,151,571	693,297	32.22	17,281,554	17,232,097	(49,457)	(0.29)	
4 FUEL REVENUES (NET OF REVENUE TAX)	2,211,515	2,854,402	642,887	22.52	17,417,812	19,072,248	1,654,436	8.67	
5 TRUE-UP (COLLECTED) OR REFUNDED	35,494	35,494	0	0.00	425,939	425,939	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,247,009	2,889,896	642,887	22.25	17,843,751	19,498,187	1,654,436	8.49	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	788,735	738,325	(50,410)	(6.83)	562,197	2,266,090	1,703,893	75.19	
8 INTEREST PROVISION-THIS PERIOD (21) (2)	(4,865)	0	4,865	0.00	(40,673)	(18,258)	22,415	0.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	(1,421,817)	350,036	1,771,853	506.19	(769,026)	(769,026)	(0)	0.00	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(35,494)	(35,494)	0	0.00	(425,939)	(425,939)	0	0.00	
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(673,441)	1,052,867	1,726,308	163.96	(673,441)	1,052,867	1,726,308	163.96	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,421,817)	350,036	1,771,853	506.19					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(668,576)	1,052,867	1,721,443	163.50					
14 TOTAL (12+13)	(2,090,393)	1,402,903	3,493,296	249.00					
15 AVERAGE (50% OF 14)	(1,045,197)	701,452	1,746,648	249.00					
16 INTEREST RATE - FIRST DAY OF MONTH	5.4300%	0.0000%	--	--					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.7400%	0.0000%	--	--					
18 TOTAL (16+17)	11.1700%	0.0000%	--	--					
19 AVERAGE (50% OF 18)	5.5850%	0.0000%	--	--					
20 MONTHLY AVERAGE (19/12 Months)	0.465%	0.000%	--	--					
21 INTEREST PROVISION (15x20)	(4,865)	0	--	--					

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

## Estimated Only:

- (1) Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up. In the ninth month of the period, the beginning True-up amount will change to the actual True-up amount at the end of the eighth month on the most recently filed Schedule E-2. The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.
- (2) For the current period, interest should equal the most recently filed Schedule E-2.
- (3) Period to date for months nine to twelve should be eight months actual plus four months estimated. Should agree to Schedule E-2.

FOR THE PERIOD OF: APRIL 1997 Through MARCH 1998

	CURRENT MONTH:		SEPTEMBER 1997		PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE (3)	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST (Sch. A-1 Line 4)	737,653	845,333	107,680	12.74	4,271,785	6,086,207	1,814,422	29.81	
2 TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	241,689	36,153	(205,536)	(568.52)	1,860,708	144,694	(1,716,014)	(1,185.96)	
3 TOTAL	979,342	881,486	(97,856)	(11.10)	6,132,492	6,230,901	98,409	1.58	
4 FUEL REVENUES (NET OF REVENUE TAX)	1,061,129	879,486	(181,643)	(20.65)	7,269,832	6,216,265	(1,053,567)	(16.95)	
5 TRUE-UP (COLLECTED) OR REFUNDED	(103,033)	(103,033)	0	0.00	(618,198)	(618,198)	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	958,096	776,453	(181,643)	(23.39)	6,651,634	5,598,067	(1,053,567)	(18.82)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(21,248)	(105,033)	(83,787)	79.77	519,142	(632,834)	(1,151,976)	182.03	
8 INTEREST PROVISION-THIS PERIOD (21) (2)	1,942	0	(1,942)	0.00	(862)	0	862	0.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	379,308	1,040,231	660,923	63.54	(673,441)	1,052,867	1,726,308	163.96	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	103,033	103,033	0	0.00	618,198	618,198	0	0.00	
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	463,037	1,038,231	575,194	55.40	463,037	1,038,231	575,194	55.40	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	379,308	1,040,231	660,923	63.54					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	461,095	1,038,231	577,136	55.59					
14 TOTAL (12+13)	840,403	2,078,462	1,238,059	59.57					
15 AVERAGE (50% OF 14)	420,202	1,039,231	619,030	59.57					
16 INTEREST RATE - FIRST DAY OF MONTH	5.5800%	0.0000%	—	—					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.5300%	0.0000%	—	—					
18 TOTAL (16+17)	11.0900%	0.0000%	—	—					
19 AVERAGE (50% OF 18)	5.5450%	0.0000%	—	—					
20 MONTHLY AVERAGE (19/12 Months)	0.462%	0.000%	—	—					
21 INTEREST PROVISION (15x20)	1,942	0	—	—					

\* If line 5 is a refund add to line 4  
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## Estimated Only:

- (1) Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up. In the ninth month of the period, the beginning True-up amount will change to the actual True-up amount at the end of the eighth month on the most recently filed Schedule E-2. The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.
- (2) For the current period, interest should equal the most recently filed Schedule E-2.
- (3) Period to date for months nine to twelve should be eight months actual plus four months estimated. Should agree to Schedule E-2.

STATE OF FLORIDA

Commissioners:  
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## Public Service Commission

December 1, 1997

Mr. Frank G. Cressman  
Florida Public Utilities Company  
Post Office Box 3395  
West Palm Beach, Florida 33402-3395

Re: Docket No. 970003 - GU - Florida Public Utilities Company  
PGA Audit Report - 12 Months Ended September 30, 1997  
Audit Control # 97-160-4-2

Dear Mr. Cressman:

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.

The Division of Records and Reporting is holding the workpapers for which you requested confidential treatment. You have 21 days from the audit exit conference or December 12, 1997 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief  
Bureau of Records

KF/clb  
Enclosure  
cc: Public Counsel  
Rutledge Law Firm