

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT
AS OF SEPTEMBER 30, 1997**

**FIELD WORK COMPLETED
NOVEMBER 21, 1997**

**SOUTH FLORIDA NATURAL GAS COMPANY
MIAMI, FLORIDA
DADE COUNTY**

**PURCHASED GAS ADJUSTMENT AUDIT
DOCKET NO. 970003-GU
AUDIT CONTROL NO. 97-160-3-3**



**RICHARD F. BROWN
AUDIT MANAGER**



**IAN J. FORBES
DISTRICT AUDIT SUPERVISOR
ORLANDO**

DOCUMENT NUMBER - DATE

12663 DEC 10 5

FPSC-RECORDS/REPORTING

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the company's Purchased Gas Adjustment schedules for the test year ending September 30, 1997, Docket No. 970003-GU. The company's Purchased Gas Adjustment schedules were examined to determine compliance with Commission directives and to disclose any transactions or events which may influence Commission decision.

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: Subject to the procedures described in Section II, the company's books and records for the test year ending September 30, 1997, are maintained in substantial compliance with Commission directives.

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 audit work includes:

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 otherwise noted, performed no other audit work.

A SCHEDULES: The company's A Schedules from October 1996 through September 1997 were compiled and recomputed.

PGA REVENUES: Compiled the company's therm sales and recomputed.

COST OF GAS: Traced therms and cost of gas to the company's invoices.

RATES: Sampled July 1997 individual gas billings for proper application of residential and commercial base, energy, and PGA rates.

TRUE-UP: Verified monthly booking of true-up. Recomputed amounts per utility-submitted filing and reconciled beginning true-ups to the appropriate Commission order. Verified that proper interest rates were applied to under or over recovered amounts for the twelve months ended September 30, 1997.

COMPANY: SFNG

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2

EXHIBIT NO. _____

FOR THE PERIOD OF: APRIL 97 Through MARCH 98

DOCKET NO. 970003-GU

SOUTH FLORIDA NATURAL GAS CO.

LD-2

PAGE ____ OF ____

	CURRENT MONTH: SEPTEMBER				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST	34,734	28,868	(5,866)	-20.320%	189,571	220,867	21,296	9.642%
2 TRANSPORTATION COST	6,130	5,892	(238)	-4.039%	48,181	43,574	(4,607)	-10.573%
3 TOTAL	40,864	34,759	(6,105)	-17.584%	247,752	264,440	16,688	6.311%
4 FUEL REVENUES (NET OF REVENUE TAX)	57,304	41,835	(15,469)	-38.978%	363,048	308,898	(88,152)	-28.072%
5 TRUE-UP (COLLECTED) OR REFUNDED	(7,076)	(7,076)	0	0.000%	(42,456)	(42,456)	0	0.000%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	50,228	34,759	(15,469)	-44.504%	350,592	264,440	(86,152)	-32.578%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	9,384	0	(9,384)	0.000%	102,840	0	(102,840)	0.000%
8 INTEREST PROVISION-THIS PERIOD (21)	780	(236)	(1,016)	430.655%	3,179	(1,919)	(5,098)	285.891%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	160,648	(51,132)	(211,778)	414.179%	29,391	(84,829)	(114,220)	134.847%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	7,076	7,076	0	0.000%	42,456	42,456	0	0.000%
10a FLEX RATE REFUND (if applicable)	0	0	0	0.000%	0	0	0	0.000%
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	177,868	(44,292)	(222,158)	501.577%	177,868	(44,292)	(222,158)	501.578%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	160,648	(51,132)	(211,778)	414.179%				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	177,068	(44,066)	(221,142)	501.957%				
14 TOTAL (12+13)	337,732	(95,188)	(432,920)	454.805%				
15 AVERAGE (50% OF 14)	168,866	(47,594)	(216,460)	454.805%				
16 INTEREST RATE - FIRST DAY OF MONTH	5.580%	5.950%	0.0039	6.555%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.530%	5.950%	0.0042	7.059%				
18 TOTAL (16+17)	11.090%	11.900%	0.00810	6.807%				
19 AVERAGE (50% OF 18)	5.545%	5.950%	0.00405	6.807%				
20 MONTHLY AVERAGE (18/12 Months)	0.462%	0.496%	0.00034	6.807%				
21 INTEREST PROVISION (15x20)	780	(236)	(1,016)	430.655%				

* If line 5 is a refund add to line 4

If line 5 is a collection () subtract from line 4

STATE OF FLORIDA

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



DIVISION OF RECORD & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

December 11, 1997

Mr. J. Peter Martin
South Florida Natural Gas Company
101 N. W. 202nd Terrace
Post Office Box 69000-J
Miami, Florida 33269-0078

Re: Docket No. 970003 - GU - South Florida Natural Gas Company
PGA Audit Report - Period Ended September 30, 1997
Audit Control # 97-160-3-3

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. Bayó

BSB/clc
Enclosure
cc: Public Counsel
Messer Law Firm